# Property/Casualty Insurance at a Glance

The property/casualty insurance business early in 1986 comprised nearly 3,500 individual companies which operate in a highly competitive environment. Although about 900 of those companies write most of the business, no single company or group has more than 10 percent of the market.

In 1985, property/casualty insurance companies employed some 474,400 persons, according to government statistics. An additional 554,400 persons were engaged in agency or brokerage operations and insurance service organizations on behalf of the insurance industry as a whole, including the property/casualty, life and accident and health segments.

## Operating Results, Property/Casualty Insurers, 1983-1985 (000 omitted from dollar figures)

| | 1985 | 1984 | 1983 | % Change 1984-85 | % Change 1983-84 |
|---|---|---|---|---|---|
| Assets | $311,364,665 | $264,734,722 | $249,121,082 | + 17.6% | + 6.3% |
| Net Premiums Written | 144,186,420 | 118,166,311 | 108,982,808 | + 22.0 | + 8.4 |
| Premiums Earned | 133,341,852 | 115,009,836 | 107,195,857 | + 15.9 | + 7.3 |
| Losses and Adjustment Expenses Incurred | 118,572,435 | 101,445,723 | 87,399,262 | + 16.9 | + 16.1 |
| Loss and Loss Adjustment Ratio | 88.92% | 88.21% | 81.53% | + 0.8 | + 8.2 |
| Underwriting Expenses Incurred | 37,585,418 | 33,184,338 | 31,056,837 | + 13.3 | + 6.9 |
| Underwriting Expense Ratio | 25.95% | 27.98% | 28.43% | − 7.3 | − 1.6 |
| Combined Ratio (before Dividends to Policyholders) | 114.87% | 116.19% | 109.96% | − 1.1 | + 5.7 |
| Combined Ratio (after Dividends to Policyholders) | 116.52% | 118.01% | 112.04% | − 1.3 | + 5.3 |
| Statutory Underwriting Gain (Loss) | ($22,597,292) | ($19,378,885) | ($11,087,953) | + 16.6* | + 74.8* |
| Dividends to Policyholders | 2,196,247 | 2,098,062 | 2,234,117 | + 4.7 | − 6.1 |
| Net Underwriting Gain (Loss) | ($24,793,539) | ($21,476,947) | ($13,322,070) | + 15.4** | + 61.2** |
| Net Investment Income | 19,507,869 | 17,659,729 | 15,973,234 | + 10.5 | + 10.6 |
| Operating Earnings after Taxes | (3,327,453) | (2,150,139) | 3,847,273 | + 54.8 | − 155.9 |
| Policyholders' Surplus | 75,511,417 | 63,809,497 | 65,605,727 | + 18.3 | − 2.7 |
| Premium to Surplus Ratio | 1.91 to 1 | 1.85 to 1 | 1.66 to 1 | | |
| Dividends to Stockholders | 2,723,108 | 2,342,572 | 3,001,185 | + 16.2 | − 21.9 |

*Statutory underwriting loss was 16.6 percent greater in 1985 than in 1984; 74.8 percent greater in 1984 than in 1983.

**Net underwriting loss was 15.4 percent greater in 1985 than in 1984; 61.2 percent greater in 1984 than in 1983.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages

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Insurance Facts

# 1986-87 Property/ Casualty Fact Book

Insurance
Information
Institute

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New York, N.Y. 10038
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This yearbook is intended to provide some basic facts relating to the property and casualty insurance business for editors, writers, speakers, teachers, students, insurance people and others.

Insurance Facts is published annually by the Insurance Information Institute, an educational, fact-finding and communications organization for the property and casualty insurance business. The Institute is supported by some 300 insurance companies, both stock and mutual, and also provides public relations services to other organizations in the fields of property, liability, fidelity, surety and marine insurance.

The cooperation of other insurance organizations, government agencies and commercial publishers of insurance data has helped to make this yearbook possible. We are particularly grateful to A.M. Best Company, Inc., for making available some of its compilations of insurance statistics; to the National Fire Protection Association for permitting us to publish certain of its copyrighted data concerning fire losses, to the National Safety Council for its cooperation in providing certain accident-related data, and to the Insurance Institute for Highway Safety and the Highway Loss Data Institute for their assistance in preparing automobile data.

Mechlin D. Moore, President
Insurance Information Institute

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# 1. Scope of the Business

## An Overview of Insurance

The business of insurance in the United States is divided into three broad categories: life insurance, health insurance and property and casualty insurance. Altogether it provides nearly 2 million jobs and has responsibility for assets which at the end of 1985 totaled more than $1.13 trillion. But its greatest significance in the American economy is as an absorber of personal and business risks.

The property and casualty segment of the insurance business is responsible for assets which at the close of 1985 totaled about $311.3 billion. It provides hundreds of forms of financial protection against virtually every known peril.

Data compiled by the U.S. Bureau of Labor Statistics (BLS) show that property and casualty insurance companies employed some 474,400 persons in 1985. BLS estimates that another 554,400 persons were engaged in agency or brokerage operations and insurance service organizations, but does not distinguish between personnel employed in the life insurance or health insurance business and those with responsibilities in the property and casualty field.

As of early 1986, there were more than 5,700 insurance companies based in the United States and operating under the supervision of regulatory authorities in the various states. Some of these companies sell all lines of insurance; many specialize in one or more fields. Some 3,461 of those companies sell some form of property and casualty insurance, and related lines, including inland marine coverages and surety and fidelity bonds. A vast majority of the property/casualty business is written by about 900 companies that operate in all or most states.

The property and casualty insurance business plays a major role in keeping the American economy moving. Insurance coverages backstop the extensive commercial and consumer credit system of the nation. Further, surety bonds are required on almost all public works and commercial construction, to protect against loss in the event the contractor fails to fulfill his or her obligations.

In large part because of insurance coverage, Americans—business owners and employees, home owners, and car owners—have more financial protection and a greater sense of security than any people anywhere have ever enjoyed in the history of the world.

## Property/Casualty Insurance in 1985-1986: A Review

Despite significant premium increases in some lines of insurance, the property and casualty insurance business sustained record underwriting losses in 1985 for the fifth consecutive year. With investment income failing for the second year in a row to offset the underwriting deficit, the industry recorded a pre-tax operating loss of $5.3 billion.

However, tax credits and capital gains from the sale of assets enabled the industry to end the year modestly in the black with net after-tax income of some $2.2 billion:

### Profit (Loss) in the Property/Casualty Insurance Business, 1985
### (figures are in billions of dollars)

| | |
|---|---|
| Earned Premiums | $133.3 |
| Incurred Loss (including loss adjustment expense) | 118.6 |
| Underwriting Expenses | 37.6 |
| Policyholder Dividends and other minor items | 1.9 |
| Underwriting Loss | (24.8) |
| Investment Income (interest and dividends) | 19.5 |
| Operating Loss | ( 5.3) |
| Realized Capital Gains (primarily from the sale of stocks) | 5.5 |
| Tax Credits | 2.0 |
| Net After-Tax Income | 2.2 |

The industry's rate of return on net worth on the statutory accounting basis was 2.8 percent, up from 1.7 percent in 1984 but far below the industry average of 11.9 percent over the last 10 years. Statutory accounting is the accounting system that practically all insurance companies use in reporting to state insurance regulators.

While the basic operating data were negative, the industry's policyholder's surplus rose by some 18 percent, from $63.8 billion at year-end 1984 to $75.5 billion at year-end 1985, with unrealized capital gains of $5.2 billion and new funds totaling $7.7 billion the dominant factors behind the increase. (Policyholder's surplus is the capital that provides protection against unexpected or catastrophic losses.)

### Changes in Surplus, 1984-1985
### (figures are in billions of dollars)

| | | |
|---|---|---|
| Surplus, End of 1984 | | $63.8 |
| Changes in 1985: | | |
| Net After-Tax Income | +$ 2.2 | |
| Unrealized capital gains | + 5.2 | |
| New Funds | + 7.7 | |
| Less Stockholder Dividends and other minor items | − 3.4 | |
| Net Change | + 11.7 | |
| Surplus, End of 1985 | | $75.5 |

Notwithstanding the industry's less-than-satisfactory operating results in 1985, there were clear signs that the property/casualty insurance business is on the road to recovery.

Following five years of intense price competition in commercial lines, rates began to increase in mid-1984 and continued up in 1985. This contributed appreciably to a 22 percent increase in overall written premiums, more than double the 8.4 rate of increase in 1984. Net premiums written advanced from $118.2 billion in 1984 to $144.2 billion in 1985.

Earned premiums also showed a healthy increase, up 15.9 percent to $133.3 billion from $115 billion in 1984. However, incurred losses continued to grow at a rate in excess of that for earned premiums. Incurred losses — dollars allocated to pay claims — rose by 16.9 percent to $118.6 billion from $101.4 billion in 1984. The combined ratio, which basically reflects what is paid out in losses and expenses versus what is taken in in premiums, was 116.5, an improvement of more than one point from the 1984 figure.

Continuing improvement was reflected in data for the first quarter of 1986, when pre-tax operating income turned positive for the first time in 10 quarters. The figure of $474 million contrasted with a loss of $1.4 billion in the first quarter of 1985. In terms of premiums, this translates to a very low sales margin of 1.1 percent for the first quarter of 1986.

## Market Conditions

Because of a changing mix of policies and coverages, there are no hard data on the size of insurance rate increases which have been effected since market conditions began to harden in 1984. Some of the increases have been dramatic, particularly in commercial liability lines. The largest increases have occurred in lines where unusual factors are operating, such as liquor liability insurance which has felt the impact of toughening social attitudes toward drunk driving.

The rate increases in commercial lines since 1984 have reflected in part *price recovery* from rate reductions during the highly competitive period of the late seventies and early eighties. Exemplifying the effect of competition-generated rate cuts is the experience of the general liability line, about 99 percent of which is commercially purchased.

In 1979, net written premiums for general liability stood at $6.6 billion. Largely because of premium rate reductions, the rate of premium growth slowed appreciably in 1979 and over the following three years premium volume actually declined. In 1984, the volume was $6.5 billion, lower than that of 1979, five years earlier. As a result, the line was plunged into a period of unprofitability, which has continued despite premium increases which in 1985 were the highest of any line, averaging 78 percent. While the line accounts for a relatively small percentage of total premium volume (8 percent in 1985), it accounts for about 20 percent of the losses.

Even when investment income is taken into account, the industry in 1985 lost almost 26 cents on the dollar on the general liability line (see Table below). This followed a loss of 25 cents on the dollar in 1984.

### General Liability Overall Profitability Ratio

| | Combined Ratio* | Investment Gain Ratio** | Overall Profitability Ratio*** |
|---|---|---|---|
| 1980 | 107.2 | 14.5 | 92.7 |
| 1981 | 116.0 | 19.4 | 96.5 |
| 1982 | 129.4 | 23.1 | 106.4 |
| 1983 | 138.1 | 24.4 | 113.8 |
| 1984 | 151.8 | 26.6 | 125.1 |
| 1985 | 145.8 | 20.0 | 125.8 |

*The combined ratio basically calculates losses and operating expenses as a percentage of premiums. The figures take policyholder dividends into account.

**Ratio of investment income (interest and dividends) and realized capital gains to premiums.

***The combined ratio less the investment gain ratio. If the ratio is above 100, the line of insurance is losing money. If the ratio is below 100, the line is showing a profit.

Source: A.M. Best Company, Inc.

In some areas, external factors such as changing social attitudes toward drunk driving and liberal court decisions caused insurers to rethink their underwriting policies. Where the potential for loss was reaching incalculable limits or the risk itself was no longer actuarially predictable, companies cut back significantly; some left the marketplace.

Among the prominent areas where coverage has been difficult to obtain are: pollution risks (particularly for gradual pollution), liquor liability, day-care center exposures, medical malpractice, high limit coverage (above $50 million) for industrial concerns, asbestos removal from schools, commercial fishing boats, municipal liability and commercial trucking.

## Responses to the Availability Problem

Insurers are responding to these shortages in a number of ways, including meetings with trade associations representing impacted industries to work out solutions to the problem of insurance availability.

In the area of day-care insurance, for example, two major insurers, working with child-care coalitions, have developed countrywide day-care insurance programs. In addition, a new endorsement to homeowners policies has been developed to eliminate confusion as to whether home day-care is a business pursuit.

Liquor liability insurance is becoming increasingly available in many states as several small companies have established specific programs for drinking establishments. One program offered initially in two eastern states includes strict underwriting guidelines which set the premiums according to clearly defined levels of risk.

Many states have established market assistance plans (MAPs) to deal with the lack of markets for certain types of liability coverage. In an MAP program, individual companies agree to provide insurance voluntarily in contrast to a joint underwriting association or pool in which participation generally is mandatory.

Several major insurers have announced that they would reenter the market or ease underwriting requirements for liability insurance for municipalities, school districts, day-care centers and alcoholic beverage dispensers.

A major change in 1986 was the introduction of a "claims-made" commercial general liability policy. Most liability policies traditionally have been written on an occurrence basis so that an insured event, such as an injury caused by a defective product, is covered by the policy in force during the period in which the event occurs. This would be the case even though some claims may not become apparent until several years later. As a result there sometimes are long lags of time between the date the incident occurs and the date on which the claim is reported. A claims-made policy covers claims which are made within a given policy period, and thus shortens the time between premium collection and the payment of losses. This makes insurance rates more predictable and allows for more accurate and realistic calculation of rates.

Also, together with many other industries and organizations, the property/casualty insurance business is promoting legislation to alleviate the excessive costs of litigation, as well as to encourage alternative dispute resolution mechanisms such as mediation and arbitration. In 1986, as of mid-year, tort reform measures had been passed in 32 states.

## Major Sources of Loss

For only the second time in the 20th century, the nation's mainland was struck by six hurricanes. As a result of these six catastrophes and 28 others, property/casualty insurers paid out a record $2.82 billion in insured losses. The figure exceeds by 25 percent the previous record of $2.25 billion in catastrophe losses, set in 1983.

Also in 1985, in other major loss categories which impact on insurance:

- The economic cost of motor vehicle accidents was estimated at $76 billion.
- Dollar losses from robberies, burglaries, larcenies and motor vehicle thefts totaled some $11 billion.
- Property losses from fires totaled an estimated $7.75 billion, up about 2 percent from the 1984 figure.

## Congressional Actions

During 1985 and 1986, Congress continued to wrestle with a variety of subjects of interest and concern to insurers. By the time the legislators adjourned for the August 1986 recess, however, few of the issues had been resolved or appeared near resolution.

The comprehensive tax reform legislation to which Congress devoted major attention during 1985 and 1986 contemplated offsetting reductions in personal income taxes by raising new revenues from various industries, including insurance. As the legislation appeared to be near adoption, over $7 billion in new revenue had been proposed to be collected from property/casualty insurers over a five-year period. No additional taxes were proposed for foreign-source reinsurance.

In March 1986, the Reagan Administration's Tort Policy Working Group issued a report endorsing tort reforms and prepared legislative proposals for Congressional consideration.

Limited progress was made in the area of federal product liability reform. While a core package of legislative proposals was approved in June 1986 by the Senate Commerce Committee, controversy continued over some aspects, including the issues of punitive damages, joint and several liability and limits on recovery for pain and suffering.

The Senate passed, and the House was expected to pass before the fall adjournment, legislation to amend the Risk Retention Act of 1981. That law facilitates the formation of risk retention pools or insurance buyers' groups by manufacturers. The 1986 legislation would extend that option to all buyers of commercial liability coverage,

Hearings were held, but no action taken by midyear, on proposals to amend the McCarran-Ferguson Act, which reserves to the states the right to regulate insurance. Proposals for change have included a limitation on insurers' federal antitrust immunities and a requirement that insurers provide the government with detailed profit and loss information about specific lines of insurance.

Numerous Congressional committees considered amendments to the Price-Anderson Act, which governs liability in the event of an accident at a civilian nuclear facility. The law caps liability at $665 million per incident, with $160 million of that amount covered by commercial insurers. Several proposals were pending by late summer, all calling for higher limits of liability ranging from $2 billion to $6.5 billion.

In 1985, Congress enacted legislation requiring that employer-provided health plans offer coverage to certain former employees, survivors of former employees and divorced spouses of current or former employees. In 1986, Congress appeared ready to pass another measure which would require the states to establish risk pools for persons who otherwise could not obtain health insurance.

## Property/Casualty Insurance Companies by State

The property/casualty insurance business in the United States comprised 3,461 individual companies early in 1986, according to information provided by the insurance departments of the various states. About 900 of the 3,461 companies operate in all or most states and among them write a vast majority of the business. The other companies perform vital insurance services limited to people in sharply defined geographical areas or to members of specialized groups, such as farmers.

Home offices of the companies are scattered among the 50 states and the District of Columbia. Thirty-two states house 30 or more companies each. The state with the greatest number of domestic insurers is Illinois, with 292, followed by Texas with 217, New York with 207 and Iowa with 204.

The number of property/casualty insurance company home offices in each state is listed below.

### Property/Casualty Insurance Companies by State, 1986

| State | Home Offices | State | Home Offices |
|---|---|---|---|
| Alabama | 27 | Missouri | 195 |
| Alaska | 10 | Montana | 17 |
| Arizona | 21 | Nebraska | 75 |
| Arkansas | 29 | Nevada | 4 |
| California | 144 | New Hampshire | 33 |
| Colorado | 41 | New Jersey | 57 |
| Connecticut | 49 | New Mexico | 13 |
| Delaware | 109 | New York | 207 |
| District of Columbia | 13 | North Carolina | 66 |
| Florida | 70 | North Dakota | 40 |
| Georgia | 37 | Ohio | 159 |
| Hawaii | 15 | Oklahoma | 46 |
| Idaho | 14 | Oregon | 19 |
| Illinois | 292 | Pennsylvania | 195 |
| Indiana | 114 | Rhode Island | 21 |
| Iowa | 204 | South Carolina | 34 |
| Kansas | 35 | South Dakota | 53 |
| Kentucky | 36 | Tennessee | 43 |
| Louisiana | 31 | Texas | 217 |
| Maine | 23 | Utah | 11 |
| Maryland | 29 | Vermont | 36 |
| Massachusetts | 47 | Virginia | 46 |
| Michigan | 61 | Washington | 26 |
| Minnesota | 173 | West Virginia | 18 |
| Mississippi | 12 | Wisconsin | 191 |
|  |  | Wyoming | 3 |

Source: State Insurance Departments.

## Employment in Insurance

Employment by insurance companies in the United States increased by about 1.1 percent in 1985, to 1,261,800 from 1,247,800 in 1984, according to data compiled by the Bureau of Labor Statistics of the U.S. Department of Labor (BLS). Employment by property/casualty insurers rose by less than one-half of one percent.

BLS estimated the number of agents, brokers and service personnel in all segments of the business at 554,400, about 8.9 percent more than the number reported by the agency in 1984.

In the table below, the tally of agents, brokers and service personnel for the years 1978 through 1984 reflect an annual adjustment in the government figures to take into account estimates by the American Council of Life Insurance of additional agents and staff personnel. An apparent decline in the number of persons employed in those categories in 1985 is explained by the fact that the ACLI has discontinued making such an estimate beginning with that year. It will be noted that BLS data reflect a 20 percent rise in all-industry employment since 1977.

Separate data compiled by the Equal Employment Opportunity Commission show that in 1984:

- Members of minority groups constituted 18.1 percent of insurance personnel, up from 10.7 percent in 1970.
- Women constituted about 65 percent of the insurance industry work force, as compared to 55 percent in 1970.
- Some 32 percent of the employees classified as insurance officials or managers were women, who held only 10.8 percent of such positions in 1970.
- Women comprised 49 percent of all professional employees in insurance (up from 16.9 percent in 1970) and 67.1 percent of insurance technicians (up from 38.4 percent in 1970).

### Employment in Insurance 1976-1985 (Annual Averages)

| Year | Property/Casualty Companies | Other Companies | Agents, Brokers & Service Personnel* | All-Industry* |
|---|---|---|---|---|
| **1976** | 399,400 | 701,900 | 350,900 | 1,452,200 |
| **1977** | 425,300 | 715,600 | 372,200 | 1,513,100 |
| **1978** | 446,900 | 726,700 | 592,600 | 1,766,200 |
| **1979** | 467,600 | 732,200 | 625,100 | 1,824,900 |
| **1980** | 477,100 | 747,000 | 652,300 | 1,876,400 |
| **1981** | 478,000 | 758,900 | 665,600 | 1,902,500 |
| **1982** | 478,500 | 758,800 | 744,200 | 1,981,500 |
| **1983** | 470,800 | 762,900 | 744,900 | 1,978,600 |
| **1984** | 472,700 | 775,100 | 770,000 | 2,017,800 |
| **1985** | 474,400 | 787,400 | 554,400 | 1,816,200 |

*1978-1984 figures from the Bureau of Labor Statistics have been adjusted to account for American Council of Life Insurance estimates of additional independent agents and staff personnel. Those estimates have been discontinued, and all 1985 figures are those reported by the Bureau of Labor Statistics.

Sources: Bureau of Labor Statistics, U.S. Department of Labor; American Council of Life Insurance.

## Ownership of Insurance

More than nine out of every 10 American home owners — but only three out of 10 renters — carry household insurance to protect themselves against potentially disastrous financial losses. This was among the findings of a countrywide survey conducted for the Insurance Information Institute by Cambridge Reports, Inc., in April 1984.

The study found that about two of every three Americans owned either a house (66 percent) or a condominium (1 percent) and that three out of 10 rented either a house or an apartment.

While 93 percent of all home owners said they had insurance on their homes and possessions, some 65 percent of the renters said they did not have tenant's insurance, with cost given most frequently as the reason. Ownership of renter's insurance was highest among college graduates and families with incomes of $35,000 or more.

Most of the insured respondents were aware that they had protection against losses by fire and theft. Nearly 90 percent of the homeowners but only 54 percent of the insured renters said their basic policies included liability coverages. Although flood insurance is not generally included in homeowners and renter's policies, nearly half of the home owners and 35 percent of the renters believed their policies included that coverage.

The survey also showed that an overwhelming majority of Americans believe it is important to have protection against lawsuits by persons injured on their property. Three out of four persons considered $100,000 of liability insurance as at least somewhat adequate coverage, although almost two out of three said a minimum-cost million-dollar umbrella liability policy would be important for their families' protection.

Respondents to the 1984 survey were not asked whether they carry automobile insurance. However, an I.I.I. study three years earlier indicated that some 92 percent of all car owners have that protection.

### Insurance Coverages Reported by U.S. Households, 1984

| | % of Public | Have Insurance | Don't Have Insurance | Not Sure |
|---|---|---|---|---|
| Home Owners | 67% | 93% | 4% | 3% |
| Renters | 29 | 28 | 65 | 8 |

Source: Insurance Information Institute.

### Policy Understanding: Kinds of Losses Insured Persons Say They Are Covered Against, 1984

| | Fire Damage To House or Contents* | Flood Damage To House or Contents* | Theft of Personal Possessions | Lawsuits |
|---|---|---|---|---|
| Home Owners | 98% | 48% | 91% | 87% |
| Renters | 95 | 35 | 90 | 54 |

*With renters, these questions related only to household contents.

Source: Insurance Information Institute.

## The World Insurance Market

The United States accounted for more than half of the total as the world's insurance premium volume, excluding Eastern Bloc countries, climbed to some $498 billion in 1984. The data were compiled by the Swiss Reinsurance Company, which said the figure was about 5 percent higher than that of 1983. The company said the weakening of some important currencies against the United States dollar has affected premium growth, and that without the currency effects on growth rates world insurance would have registered an increase of about 11 percent.

The report covers 55 countries which have total premium volume of at least $100 million each and which together account for about 99 percent of the world insurance market. The study did not take into account an estimated $6 billion in premiums written by offshore (captive) companies in 1984.

The United States' share of the free world insurance market in 1984, nearly 50.9 percent, represented a gain from 48.1 percent in 1983 and 47.6 percent in 1982. However, the United States relinquished its world leadership in terms of the economic significance of the insurance industry measured by its relationship to the gross national product (GNP). The nation's premiums as a percentage of GNP stood at 6.91 in 1984, behind Ireland at 8.52 and Great Britain at 7.05.

On a premium-per-capita basis, the United States displaced Switzerland as the world leader at $1,070.60. Switzerland was second at $879.50 per capita, followed by Canada at $628.60.

Overall, in 1984, the non-life insurance business, which includes property/casualty and accident and health, accounted for $281.5 billion, or 56.5 percent, of the world premium volume. Life insurance accounted for some $216.5 billion, or 43.5 percent.

Total world premium volume in non-life insurance was up about 3.1 percent in 1984, although Swiss Re noted that the growth would have been substantially higher without the extraordinary (strong dollar) currency situation. North America was able to strengthen its predominant position in the non-life business, with its share rising to 59.6 percent from 57.5 percent in 1983. The United States alone accounted for about 56.6 percent of the world's non-life business.

Premium volume in life insurance rose by 7.7 percent in 1984, as compared with 1 percent in the preceding year. In 11 nations (Great Britain, Ireland, Sweden, Finland, Japan, South Korea, South Africa, India, Philippines, Zimbabwe and Chile) life insurance constituted more than half of the total insurance market in 1984. In Japan, life insurance accounted for more than 70 percent of total insurance premiums and for 23.9 percent of all life insurance purchased in the free world.

Japan, which recorded a 5 percent gain in total premium volume in 1984, continued to hold its strong second position — behind the United States — in terms of domestic insurance sales. Japan's share of the world market rose slightly from 14.73 percent in 1983 to 14.78 percent in 1984. Its share had stood at less than 5 percent as recently as 1965.

The first table below shows the world premium volume in 1983 and 1984 of major economic areas and regions, and the world share of total, non-life and life insurance business written in each area.

The second table lists the 10 leading insurance countries in 1984, based on total premium volume from direct domestic business of all national and foreign insurers.

## World Premium Volume by Economic Area* in Billions of U.S. Dollars and Percentages, 1983-1984

| | Amount | | World Share (%) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1984 | | | 1983 | | |
| Region | 1984 | 1983 | Total | Non-Life | Life | Total | Non-Life | Life |
| North America | $269.2 | $244.0 | 54.0% | 59.6% | 46.8% | 51.5% | 57.5% | 43.3% |
| European Community** | 97.9 | 103.3 | 19.7 | 20.2 | 18.9 | 21.8 | 22.2 | 21.3 |
| Rest of Europe | 19.2 | 19.8 | 3.9 | 4.1 | 3.6 | 4.2 | 4.3 | 4.0 |
| Japan | 73.6 | 69.8 | 14.8 | 7.8 | 23.9 | 14.7 | 7.6 | 24.4 |
| Oceania | 9.4 | 9.3 | 1.9 | 2.3 | 1.3 | 2.0 | 2.3 | 1.5 |
| Other Countries | 28.6 | 27.8 | 5.7 | 6.0 | 5.5 | 5.8 | 6.1 | 5.5 |
| World Total | $498.0# | $474.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Excluding Eastern Bloc countries.

**West Germany, Great Britain, France, Italy, Netherlands, Belgium, Denmark, Ireland, Greece, and Luxembourg.

#Individual figures do not add up to total because of the effects of rounding.

Source: Sigma, North American Reinsurance Corporation (April 1985; April 1986).

## The World's Leading Insurance Countries in 1984 (Premiums in Millions of U.S. Dollars)

| Position | Country | Non-Life Premiums | Life Premiums | Total Premiums | Percentage of Total World Premiums |
|---|---|---|---|---|---|
| 1 | United States | $159,262 | $94,133 | $253,395 | 50.88% |
| 2 | Japan | 21,829 | 51,756 | 73,585 | 14.78 |
| 3 | West Germany | 19,178 | 13,330 | 32,508 | 6.53 |
| 4 | Great Britain | 10,813 | 15,651 | 26,464 | 5.32 |
| 5 | France | 13,296 | 5,782 | 19,077 | 3.83 |
| 6 | Canada | 8,604 | 7,192 | 15,796 | 3.17 |
| 7 | Australia | 6,151 | 2,579 | 8,730 | 1.75 |
| 8 | Italy | 6,362 | 1,007 | 7,369 | 1.48 |
| 9 | Netherlands | 3,398 | 2,779 | 6,178 | 1.24 |
| 10 | Switzerland | 2,833 | 2,831 | 5,664 | 1.14 |

Source: Sigma, North American Reinsurance Corporation (April 1986).

# 2. Dollars and Cents of the Business

## Net Premiums Written by Line

Total premiums written by insurance companies in 1985 in the United States for all types of insurance reached—and slightly exceeded—the $300 billion mark for the first time.

Net premiums written by property and casualty companies totaled more than $144 billion in 1985, up 22 percent from the 1984 total.

Approximate premium totals for principal property, liability and allied lines of insurance in 1984 and 1985 are tabulated below, along with the percentage of change in premium volume in each of those lines in 1985.

### Net Premiums Written by Line, 1984-1985*

| | 1985 | 1984 | % Change |
|---|---|---|---|
| Auto Liability, Pvt. Passenger | $ 28,243,882,000 | $ 24,809,382,000 | + 13.8% |
| Auto Liability, Commercial | 7,842,789,000 | 5,407,281,000 | + 45.0 |
| Total Auto Liability | 36,086,671,000 | 30,216,663,000 | + 19.4 |
| Auto Physical Damage, Pvt. Passenger | 21,180,583,000 | 18,497,769,000 | + 14.5 |
| Auto Physical Damage, Commercial | 4,066,138,000 | 3,268,035,000 | + 24.4 |
| Total Auto Physical Damage | 25,246,721,000 | 21,765,804,000 | + 16.0 |
| Total Automobile | 61,333,392,000 | 51,982,467,000 | + 18.0 |
| Medical Malpractice | 2,769,230,000 | 1,774,754,000 | + 56.0 |
| General Liability | 11,544,152,000 | 6,479,268,000 | + 78.2 |
| Total Liability (other than auto) | 14,313,382,000 | 8,254,022,000 | + 73.4 |
| Fire Insurance and Allied Lines** | 6,173,369,000 | 4,852,645,000 | + 27.2 |
| Homeowners Multiple Peril | 14,066,391,000 | 13,212,762,000 | + 6.5 |
| Farmowners Multiple Peril | 769,915,000 | 729,153,000 | + 5.6 |
| Commercial Multiple Peril | 12,096,578,000 | 8,286,962,000 | + 46.0 |
| Workers' Compensation | 17,047,548,000 | 15,107,292,000 | + 12.8 |
| Inland Marine | 3,672,227,000 | 3,017,099,000 | + 21.7 |
| Ocean Marine | 1,176,528,000 | 1,155,131,000 | + 1.9 |
| Surety and Fidelity | 2,852,680,000 | 1,996,653,000 | + 42.9 |
| Burglary and Theft | 122,259,000 | 109,005,000 | + 12.2 |
| Boiler and Machinery | 618,358,000 | 439,108,000 | + 40.8 |
| Glass | 25,492,000 | 27,842,000 | − 8.4 |
| Aircraft | 508,480,000 | 393,287,000 | + 29.3 |
| Accident and Health | 3,205,359,000 | 3,836,695,000 | − 16.5 |
| Other Lines | 6,204,462,000 | 4,766,188,000 | + 30.2 |
| Total, All Lines | $144,186,420,000 | $118,166,311,000 | + 22.0 |

*Net premiums written represent premium income retained by insurance companies, direct or through reinsurance, less payments made for business reinsured.

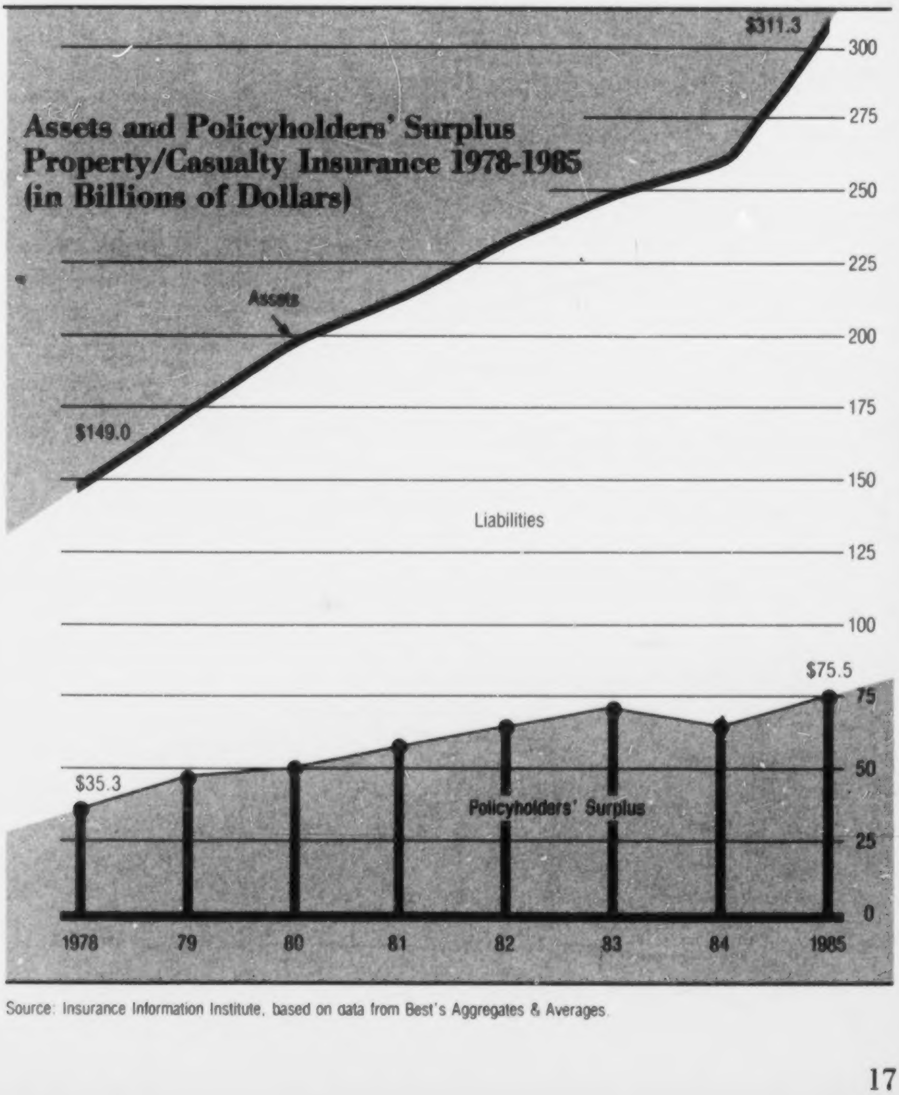
**Allied lines include crop-hail insurance premiums, reported separately on Page 28.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Assets and Policyholders' Surplus

An idea of the strength and reliability of the property and casualty insurance business may be gained from a review of its assets and policyholders' surplus. The surplus is the sum remaining after liabilities are deducted from assets, and includes such sums as paid-in capital and special voluntary reserves. It provides additional financial protection to policyholders in the event of unexpected or catastrophic losses.

Traditionally, assets and policyholders' surplus have been reported in terms of aggregate totals, with the result that industrywide figures have included some duplications because of interownerships within company groups. However, consolidated totals, computed by eliminating interownerships, provide a more accurate picture of the industry's financial position. The graph below, based on the consolidated figures, shows that while both assets and the policyholders' surplus have been climbing steadily, liabilities have been increasing at a greater rate than surplus.



Source: Insurance Information Institute, based on data from Best's Aggregates & Averages.

As reflected by the table that follows, policyholders' surplus rose by some 18.3 percent from 1984 to 1985 after registering a decline of almost 3 percent in 1984, the first decrease since 1974. From 1978 through 1985, policyholders' surplus climbed by 113.4 percent.

Assets, up 17.6 percent in 1985, have risen by about 109 percent since 1978. Most of those assets are invested in government, industrial and utility bonds, high grade stocks and to some extent in the real estate which the companies use for their own offices.

### Consolidated Assets and Policyholders' Surplus 1978-1985

| | Assets | Annual % Change | Policyholders' Surplus | Annual % Change |
|---|---|---|---|---|
| **1978** | $149,097,273,952 | | $35,378,833,175 | |
| **1979** | 174,227,967,482 | + 16.9 | 42,456,100,830 | + 20.0 |
| **1980** | 197,660,794,250 | + 13.4 | 52,196,380,693 | + 22.9 |
| **1981** | 212,302,741,594 | + 7.4 | 53,804,788,612 | + 3.1 |
| **1982** | 231,692,712,528 | + 9.1 | 60,394,591,263 | + 12.2 |
| **1983** | 249,121,082,570 | + 7.5 | 65,605,727,424 | + 8.6 |
| **1984** | 264,734,721,825 | + 6.3 | 63,809,497,216 | – 2.7 |
| **1985** | 311,364,665,175 | + 17.6 | 75,511,416,755 | + 18.3 |

Source: Best's Aggregates & Averages

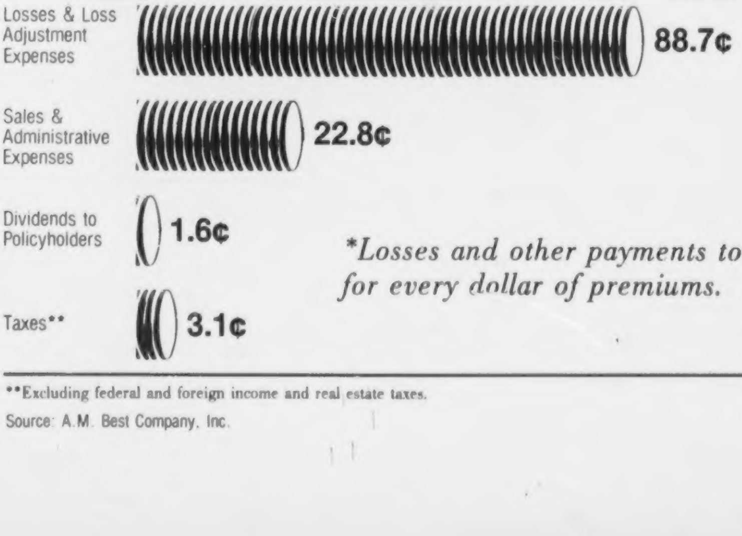
## Where the Premium Dollar Goes

Losses and the expenses involved in adjusting claims accounted for nearly 90 cents of every premium dollar taken in by property and casualty insurers in 1985. The overall cost of underwriting operations in 1985 amounted to the equivalent of $1.16 for every dollar in premiums, although the underwriting operations are intended to yield a reasonable profit.

Even in unprofitable years, some companies pay dividends to commercial policyholders that reflect their favorable loss experience, or dividends that reflect the total loss experience of certain lines of insurance.

### Where the Premium Dollar Goes

Experience of the Property/Casualty Insurance Business in 1985*



*Losses and other payments totaled $1.16 for every dollar of premiums.*

**Excluding federal and foreign income and real estate taxes.

Source: A.M. Best Company, Inc.

## Operating Results, Property/Casualty Insurers

Profits and losses of property and casualty insurance companies, particularly in recent years, have been subject to greater fluctuations than those of such other industries as banks, utilities and industrial companies. Separate analyses show that:

- The property/casualty business during the last quarter-century has recorded a net underwriting loss, after policyholders' dividends, of nearly $65 billion. The industry has shown profits on underwriting operations in only seven of the last 25 years (Table I).
- Investments of capital and surplus accounts, together with money set aside as loss reserves and unearned premium reserves, have generated income in those 25 years (Table II), permitting companies to continue their insurance operations despite the frequent underwriting deficits.

However, in 1985, income from investments for the second consecutive year fell far short (by almost $5.3 billion) of offsetting record losses from underwriting operations. While investment income was up 10.5 percent to a new high of $19.5 billion, the industry's net underwriting loss jumped 15.4 percent to $24.8 billion. It was the fifth straight year of record underwriting losses.

### I — Underwriting Results
### Property/Casualty Insurance Business, 1961-1985

| Year | Statutory Underwriting Gain/Loss | Policyholder Dividends | Net Underwriting Gain/Loss |
|---|---|---|---|
| **1961** | $ 482,088,786 | $ 317,267,523 | $ 164,821,263 |
| **1962** | 343,667,196 | 297,153,061 | 46,514,135 |
| **1963** | – 165,513,560 | 342,918,102 | – 508,431,662 |
| **1964** | – 325,722,907 | 346,383,390 | – 672,106,297 |
| **1965** | – 352,262,883 | 357,266,631 | – 709,529,514 |
| **1966** | 386,926,845 | 406,801,627 | – 19,874,782 |
| **1967** | 233,618,824 | 448,577,105 | – 254,958,281 |
| **1968** | – 148,223,790 | 420,525,267 | – 568,749,057 |
| **1969** | – 529,899,198 | 518,055,044 | – 1,047,954,242 |
| **1970** | 77,776,245 | 503,557,640 | – 425,781,395 |
| **1971** | 1,381,800,492 | 555,628,714 | 826,171,778 |
| **1972** | 1,797,933,814 | 736,282,724 | 1,061,651,090 |
| **1973** | 791,761,321 | 785,697,875 | 6,063,446 |
| **1974** | – 1,878,371,405 | 766,526,721 | – 2,644,898,126 |
| **1975** | – 3,593,959,232 | 632,838,443 | – 4,226,797,675 |
| **1976** | – 1,558,551,291 | 630,100,279 | – 2,188,651,570 |
| **1977** | 1,926,315,435 | 814,512,866 | 1,111,802,569 |
| **1978** | 2,548,142,724 | 1,251,810,856 | 1,296,331,868 |
| **1979** | 23,605,762 | 1,324,377,487 | – 1,300,771,725 |
| **1980** | – 1,712,423,071 | 1,621,544,714 | – 3,333,967,785 |
| **1981** | – 4,463,887,604 | 1,823,748,383 | – 6,287,635,987 |
| **1982** | – 8,303,039,432 | 1,986,826,602 | – 10,289,866,034 |
| **1983** | – 11,087,953,340 | 2,234,116,716 | – 13,322,070,056 |
| **1984** | – 19,378,885,074 | 2,098,061,695 | – 21,476,946,769 |
| **1985** | – 22,597,291,605 | 2,196,246,934 | – 24,793,538,539 |

Source: A. M. Best Company, Inc., Best's Aggregates & Averages.

## II — Investment Income, Property/Casualty Insurers*, 1961-1985

| | | | |
|---|---|---|---|
| **1961** | $ 813,163,277 | **1974** | $ 3,832,669,322 |
| **1962** | 883,630,622 | **1975** | 4,150,203,882 |
| **1963** | 947,022,329 | **1976** | 4,805,938,998 |
| **1964** | 1,031,931,888 | **1977** | 5,815,788,033 |
| **1965** | 1,131,625,619 | **1978** | 7,289,554,007 |
| **1966** | 1,217,979,544 | **1979** | 9,279,235,043 |
| **1967** | 1,351,764,288 | **1980** | 11,063,492,131 |
| **1968** | 1,511,509,149 | **1981** | 13,248,494,833 |
| **1969** | 1,711,806,360 | **1982** | 14,906,655,340 |
| **1970** | 2,005,080,766 | **1983** | 15,973,234,243 |
| **1971** | 2,421,495,267 | **1984** | 17,659,728,807 |
| **1972** | 2,799,737,168 | **1985** | 19,507,869,034 |
| **1973** | 3,325,344,488 | | |

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*Industrywide investment income, less investment expenses, before taxes. Figures for years prior to 1977 are aggregates and include some duplications because of interownerships within company groups. Totals from 1977 through 1985 have been consolidated to eliminate such duplications. Aggregate investment income figures for all years were used in the development of the second and third charts on Page 21 in order to provide a consistent reflection of historical trends.

Source: A. M. Best Company, Inc., Best's Aggregates & Averages.

## III — Combined Net Income* Before Taxes, Property/Casualty Insurers, 1961-1985

| | | | |
|---|---|---|---|
| **1961** | $ 977,984,540 | **1974** | $ 1,187,771,196 |
| **1962** | 930,144,757 | **1975** | – 76,593,793 |
| **1963** | 438,590,667 | **1976** | 2,617,287,428 |
| **1964** | 359,825,591 | **1977** | 6,927,590,602 |
| **1965** | 422,096,105 | **1978** | 8,585,885,875 |
| **1966** | 1,198,104,762 | **1979** | 7,978,463,318 |
| **1967** | 1,096,806,007 | **1980** | 7,729,524,346 |
| **1968** | 942,760,092 | **1981** | 6,960,858,846 |
| **1969** | 663,852,118 | **1982** | 4,616,789,306 |
| **1970** | 1,579,299,371 | **1983** | 2,651,164,187 |
| **1971** | 3,247,667,045 | **1984** | – 3,817,217,962 |
| **1972** | 3,861,388,258 | **1985** | – 5,285,669,505 |
| **1973** | 3,331,407,934 | | |

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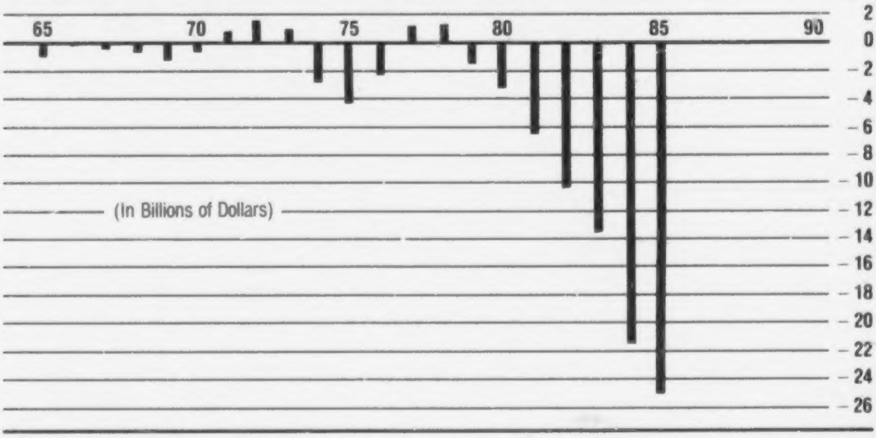
*Includes both underwriting gains or losses and investment income.

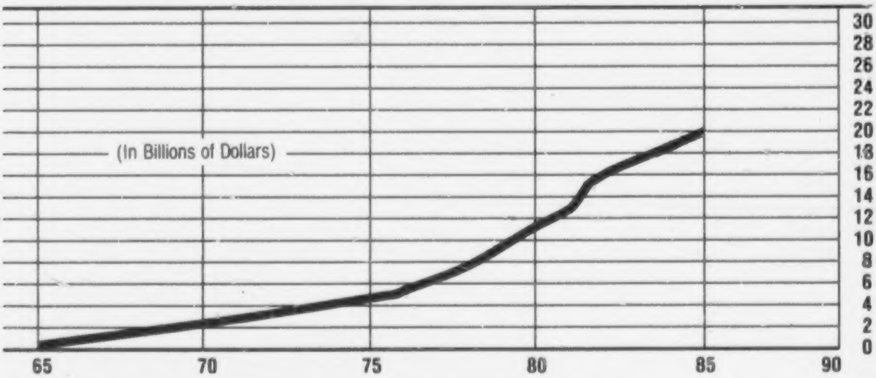
Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Underwriting Gains/Losses After Policyholder Dividends Property/Casualty Insurance Business, 1965-1985



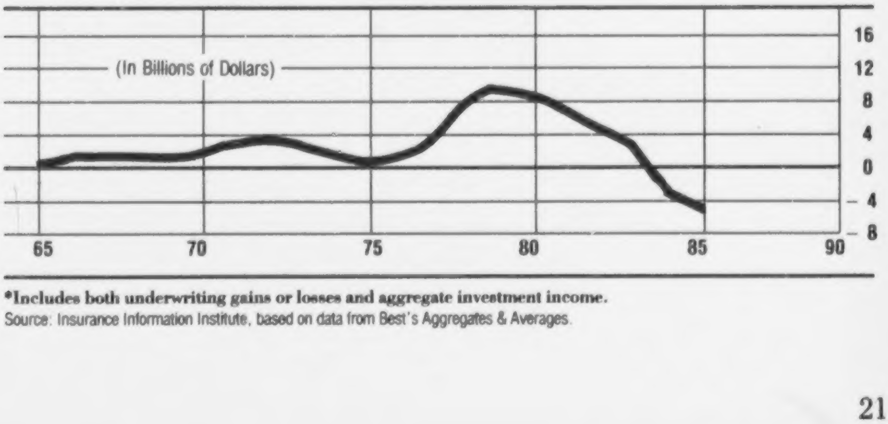
Source: Insurance Information Institute, based on data from Best's Aggregates & Averages.

## Investment Income, Property/Casualty Insurers*, 1965-1985



***Industry aggregates less investment expenses; before taxes.**
Source: Insurance Information Institute, based on data from Best's Aggregates & Averages.

## Combined Net Income* Before Taxes, Property/Casualty Insurers, 1965-1985



***Includes both underwriting gains or losses and aggregate investment income.**
Source: Insurance Information Institute, based on data from Best's Aggregates & Averages.

## Profitability, Insurance and Other Industries

The highly competitive nature of the property/casualty insurance business generally has held its profitability over the years below the average of all U.S. industries, although in some years it has outperformed other industries, including those which are financially oriented.

The rate of return on net worth in the insurance industry went below 10 percent in 1982, and has remained below the 10 percent level for four consecutive years. Generally, the return on net worth of the property/casualty insurance business has been considerably less stable over the years than those recorded by other industries.

The table below compares the average annual rates of return of property/casualty insurers, diversified financial companies as a group, banks, utilities, transportation and all industries combined. The diversified financial group is composed largely of companies engaged in property and casualty insurance with or without life insurance and other financial services.

The insurance data are shown on two bases. The first figures show the rate of return on the statutory accounting basis. Statutory accounting is the accounting system that practically all insurance companies use in reporting to state regulators.

The second column on property/casualty insurance shows the rate of return on the basis of Generally Accepted Accounting Principles (GAAP). Most U.S. industries use GAAP accounting, and thus the data on this basis are more directly comparable to those of other industries. However, the figures are only estimates because many insurance companies, particularly mutuals, do not report their data on the GAAP basis.

### Average Annual Rates of Return on Net Income After Taxes as Percent of Net Worth, Selected Industries

| | Property/Casualty Insurance | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Statutory Accounting | GAAP Accounting | Diversified Financial | Banks | Utilities | Transportation | All* Industries |
| **1976** | 8.9% | 10.0% | 12.1% | 11.5% | 10.6% | 8.8% | 13.3% |
| **1977** | 21.3 | 19.0 | 16.7 | 11.6 | 11.1 | 10.1 | 13.5 |
| **1978** | 20.5 | 18.1 | 17.3 | 12.9 | 11.3 | 13.3 | 14.3 |
| **1979** | 17.4 | 15.5 | 17.5 | 14.1 | 12.0 | 13.2 | 15.9 |
| **1980** | 14.7 | 13.1 | 14.0 | 13.4 | 11.7 | 11.3 | 14.4 |
| **1981** | 13.3 | 11.8 | 11.4 | 13.0 | 12.7 | 13.3 | 13.8 |
| **1982** | 9.3 | 8.8 | 10.0 | 12.0 | 12.5 | 7.9 | 10.9 |
| **1983** | 9.1 | 8.3 | 11.7 | 12.5 | 13.3 | 11.6 | 10.7 |
| **1984** | 1.7 | 1.8 | 9.3 | 12.6 | 13.4 | 13.6 | 13.5 |
| **1985** | 2.8 | 3.8 | 9.4 | 13.0 | 13.0 | 11.5 | 11.5 |
| Average: **1976-85** | 11.9% | 11.0% | 12.9% | 12.7% | 12.2% | 11.5% | 13.2% |

*Median for Fortune 500 U.S. Industrial Corporations.

Sources: Property/casualty insurance data: GAAP accounting basis, Insurance Services Office. Statutory accounting rate of return calculated by Insurance Information Institute, based on A.M. Best data. All other industry figures for 1984 and 1985 are medians from Fortune Magazine data. The other industry data for the years 1976 through 1983 are industry averages from Fortune Magazine.

## Investments of Property/Casualty Insurers

Investments of property/casualty insurance companies totaled $228.7 billion in 1985. Investments represented about 73.4 percent of total assets, which industrywide totaled more than $311 billion in 1985. Assets not considered investments include such items as office equipment and supplies.

Fixed income securities continue to dominate the investment portfolios, with special revenue bonds accounting for 28 percent of the industry's invested assets in 1985. Special revenue bonds include those issued by hospitals and colleges for expansion of facilities as well as those issued for public works programs, toll bridges and highways.

The last decade has seen significant fluctuations in the make up of insurers' investment portfolios. Overall, the portion of those portfolios invested in bonds jumped from 59.56 percent in 1973 to 69.05 percent in 1975, and stood at 74.61 percent in 1985. Holdings of common stocks dropped from 26.32 percent in 1975 to 19.24 percent in 1985.

Funds used by property/casualty companies for investments are generally derived from three major sources: policyholders' surplus, unearned premium reserves and loss reserves. The companies maintain the bulk of their funds in investments that can be sold readily—stocks and bonds, rather than general real estate—so that prompt payment of claims in the event of a catastrophe is assured.

### Investments of Property/Casualty Insurers

| | % in 1985 | % in 1980 | % in 1975 |
|---|---|---|---|
| **Bonds** | **74.61** | **73.72** | **69.05** |
| U.S. Government | 21.57 | 11.06 | 10.34 |
| Other Government | 1.32 | .87 | .51 |
| State, Municipal, etc. | 11.07 | 14.75 | 18.10 |
| Special Revenue, etc. | 28.06 | 33.73 | 24.87 |
| Railroad | .24 | .31 | .37 |
| Utility | 2.76 | 3.50 | 4.53 |
| Miscellaneous | 9.36 | 9.06 | 9.78 |
| Parent, Subs., Affiliates | .22 | .44 | .55 |
| **Common Stock** | **19.24** | **20.13** | **26.32** |
| Railroad | .16 | .13 | .04 |
| Utility | 1.55 | 1.61 | 2.03 |
| Bank | — | .91 | 1.17 |
| Insurance | — | .78 | .26 |
| Bank and Insurance* | 1.55 | — | — |
| Miscellaneous | 10.10 | 12.08 | 10.92 |
| Parent, Subs., Affiliates | 5.89 | 4.63 | 11.90 |
| **Preferred Stock** | **3.82** | **4.96** | **3.95** |
| Railroad | .04 | .05 | .03 |
| Utility | 2.22 | 3.43 | 3.14 |
| Bank | — | .11 | .02 |
| Insurance | — | .03 | .01 |
| Bank and Insurance* | .44 | — | — |
| Miscellaneous | .99 | 1.29 | .65 |
| Parent, Subs., Affiliates | .13 | .05 | .10 |
| **Other** | **2.33** | **1.19** | **.67** |
| Mortgages | .72 | .60 | .28 |
| Collateral Loans | 1.46 | .06 | .06 |
| Other Invested Assets | .14 | .53 | .33 |

*Separate break-out of bank and insurance items no longer available as of 1983.

NOTE: Sums of individual items may not add up to totals because of the effects of rounding.

Source: A.M. Best Company, Inc.

## Net Premiums Written, 1976-1985

Total net premiums written by property and casualty companies have risen from about $61 billion in 1976 to more than $144 billion in 1985, with a 22 percent increase in 1985 alone. Accident and health premiums accounted for $3.2 billion of the total premiums written in 1985 by property and casualty insurers.

### Total Net Premiums Written by Property and Casualty Insurance Companies, 1976-1985 (000 omitted)

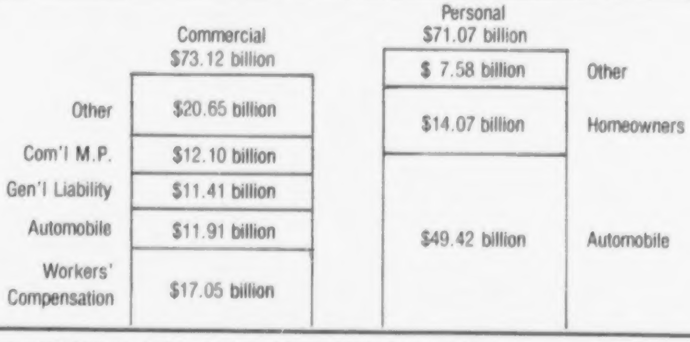
| Year | Accident and Health | All Other | Total | Annual % Change |
|---|---|---|---|---|
| 1976 | $2,120,152 | $ 58,693,166 | $ 60,813,318 | |
| 1977 | 2,316,734 | 70,080,195 | 72,396,929 | + 19.0 |
| 1978 | 2,627,884 | 79,062,047 | 81,689,931 | + 12.8 |
| 1979 | 3,179,250 | 86,943,369 | 90,122,619 | + 10.3 |
| 1980 | 3,290,764 | 92,388,785 | 95,568,749 | + 6.0 |
| 1981 | 3,585,113 | 95,690,462 | 99,275,575 | + 3.9 |
| 1982 | 4,306,651 | 99,661,570 | 103,968,221 | + 4.7 |
| 1983 | 4,347,760 | 104,635,048 | 108,982,808 | + 4.8 |
| 1984 | 3,836,695 | 114,329,616 | 118,166,311 | + 8.4 |
| 1985 | 3,205,359 | 140,981,061 | 144,186,420 | + 22.0 |

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Who Pays the Premium Dollar?

Purchases by individuals and their families accounted for $71.1 billion, or 49.3 percent of the $144 billion in net premiums written by property and casualty insurers in the United States in 1985. Premiums paid by commercial purchasers amounted to about $73.1 billion with the heaviest concentrations in workers' compensation, automotive coverages, general liability and commercial multiple peril "package" policies. Estimates of the amount of premiums paid by commercial and individual insurance purchasers are shown below.

### Purchases of Property and Casualty Insurance, 1985



Source: Insurance Information Institute, based on data provided by A.M. Best Company.

## Automobile Insurance

In the face of continually climbing medical, legal and automobile repair costs, a vast majority of America's 158 million motorists are recognizing the prudence of purchasing automobile insurance to protect themselves against financial hardship resulting from motor vehicle accidents.

Auto insurance, in fact, is by far the largest single classification of the property/casualty insurance business. The premium volume of $61.3 billion recorded in 1985 was more than double that of 1977, only eight years earlier. Auto insurance in 1985 accounted for about 42.5 percent of the total premium volume written by property/casualty insurers.

Automobile liability insurance comprised about 59 percent of all auto insurance purchases in 1985. The possession of auto liability insurance has become a virtual necessity for most motorists, both for their own financial protection and to enable them to meet the requirements of financial responsibility laws and/or compulsory auto insurance laws of their states (see Page 103).

Auto insurance is purchased primarily by individuals or family groups. In 1985, only 19.4 percent of all automobile insurance was purchased by industrial and other commercial buyers. From 1984 to 1985, however, the premium volume rose by some 14.1 percent for private passenger insurance but increased by 37.3 percent for the commercial auto lines.

While some companies recorded at least modest profits, the industry as a whole again suffered an underwriting deficit on the auto insurance lines in 1985. Overall, the auto insurance business has been in the red in eight of the last 10 years.

The worst losses have been in the area of commercial liability. The combined ratio for that line in 1985 was 126.3, meaning that for every premium dollar paid in, insurance companies' expenses and losses totaled $1.26.

### Automobile Liability Insurance, 1976-1985

| | Private Passenger | | | Commercial | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| **1976** | $12,899,103,000 | | 104.6 | $3,152,478,000 | | 103.0 |
| **1977** | 15,085,260,000 | + 16.9% | 98.8 | 3,892,498,000 | + 23.5% | 98.4 |
| **1978** | 16,047,775,000 | + 6.4 | 98.3 | 4,335,232,000 | + 11.4 | 99.3 |
| **1979** | 17,385,444,000 | + 8.3 | 100.8 | 4,716,903,000 | + 8.8 | 104.4 |
| **1980** | 18,590,373,000 | + 6.9 | 102.6 | 4,728,913,000 | + 0.3 | 109.0 |
| **1981** | 19,649,912,000 | + 5.7 | 108.9 | 4,745,262,000 | + 0.3 | 117.5 |
| **1982** | 21,487,468,000 | + 9.4 | 110.1 | 4,738,978,000 | − 0.1 | 125.6 |
| **1983** | 23,343,939,000 | + 8.6 | 111.0 | 4,736,128,000 | − 0.1 | 132.0 |
| **1984** | 24,809,382,000 | + 6.3 | 112.8 | 5,407,281,000 | + 14.2 | 142.4 |
| **1985** | 28,243,882,000 | + 13.8 | 118.9 | 7,842,789,000 | + 45.0 | 126.3 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A. M. Best Company, Inc., Best's Aggregates & Averages.

## Automobile Physical Damage Insurance, 1976-1985

| | Private Passenger | | | Commercial | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| **1976** | $7,987,437,000 | | 104.9 | $1,577,822,000 | | 95.9 |
| **1977** | 9,605,041,000 | + 20.3% | 92.1 | 1,946,717,000 | + 23.4% | 88.0 |
| **1978** | 10,540,718,000 | + 9.7 | 95.9 | 2,294,195,000 | + 17.8 | 89.5 |
| **1979** | 11,909,408,000 | + 13.0 | 100.3 | 2,628,293,000 | + 14.6 | 93.6 |
| **1980** | 13,086,150,000 | + 9.9 | 96.6 | 2,746,853,000 | + 4.5 | 95.9 |
| **1981** | 14,033,870,000 | + 7.2 | 98.6 | 2,713,919,000 | − 1.2 | 99.8 |
| **1982** | 15,292,070,000 | + 9.0 | 101.4 | 2,713,417,000 | − 0.0 | 106.0 |
| **1983** | 16,974,304,000 | + 11.0 | 96.3 | 2,773,199,000 | + 2.2 | 105.9 |
| **1984** | 18,497,769,000 | + 9.0 | 100.6 | 3,268,035,000 | + 17.8 | 110.9 |
| **1985** | 21,180,583,000 | + 14.5 | 98.9 | 4,066,138,000 | + 24.4 | 97.1 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A. M. Best Company, Inc., Best's Aggregates & Averages

## Fire Insurance and Allied Lines

Although fire insurance coverage is sold widely as part of the popular homeowners and commercial multiple peril policies, premium volume from fire insurance policies increased by some 32 percent in 1985. It was the second straight annual increase after four years of diminishing premium volumes. The premium volume for allied lines, which includes crop-hail insurance as well as coverage against windstorm, earthquake and other perils, rose by 18.2 percent.

## Fire Insurance and Allied Lines, 1976-1985

| | Fire Insurance | | | Allied Lines** | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| **1976** | $2,810,538,000 | | 92.3 | $1,291,270,000 | | 84.6 |
| **1977** | 3,057,800,000 | + 8.8% | 90.1 | 1,442,158,000 | + 11.7% | 78.8 |
| **1978** | 3,223,389,000 | + 5.4 | 88.8 | 1,451,979,000 | + 0.7 | 89.9 |
| **1979** | 3,246,495,000 | + 0.7 | 94.3 | 1,534,155,000 | + 5.7 | 100.7 |
| **1980** | 3,209,955,000 | − 1.1 | 97.7 | 1,573,940,000 | + 2.6 | 103.8 |
| **1981** | 3,192,516,000 | − 0.5 | 97.6 | 1,624,487,000 | + 3.2 | 94.6 |
| **1982** | 3,153,523,000 | − 1.2 | 97.4 | 1,682,885,000 | + 3.6 | 99.2 |
| **1983** | 3,011,743,000 | − 4.5 | 104.1 | 1,596,561,000 | − 5.1 | 108.3 |
| **1984** | 3,198,402,000 | + 6.2 | 111.5 | 1,654,243,000 | + 3.6 | 103.3 |
| **1985** | 4,218,247,000 | + 31.9 | 95.4 | 1,955,122,000 | + 18.2 | 101.4 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

**Covers a wide variety of perils, including windstorm, riot, explosion, sprinkler leakage, water damage and earthquakes, also includes crop-hail premiums.

Source: A. M. Best Company, Inc., Best's Aggregates and Averages

## Multiple Peril Insurance

Until the mid-1950s, property owners had to buy a variety of insurance coverages separately in order to obtain full coverage against such perils as fire, windstorm, burglary and theft, and to protect themselves against liability claims. While most property owners purchased fire and extended coverage insurance, many failed to take advantage of other available forms of coverage. It was to help people more adequately safeguard their resources that insurers developed the homeowners, commercial and other "package" policies offering adequate coverage against a variety of perils at a cost lower than the combined costs of the individual coverages.

The success of the package policies has had a pronounced effect on the amount of insurance written on such separate lines as fire and extended coverage, liability (other than auto), burglary and theft, inland marine and glass because of the inclusion of such coverages in the various multiple peril policies.

In recent years, growth in the homeowners and farmowners package policies has leveled out and is now at about the rate of growth in the overall economy. Commercial multi-peril premiums jumped by 46 percent in 1985.

Partly because of a high degree of competition which exists among insurers that market the multiple peril lines, all three lines have been unprofitable in recent years. The combined ratio deteriorated for the homeowners line, mainly because of severe hurricane losses in 1985.

### Homeowners/Commercial Multiple Peril, 1976-1985

| | Homeowners | | | Commercial | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| **1976** | $ 5,688,547,000 | | 97.2 | $4,051,785,000 | | 93.2 |
| **1977** | 6,795,492,000 | + 19.5% | 91.6 | 4,970,508,000 | + 22.7% | 86.5 |
| **1978** | 7,792,293,000 | + 14.7 | 92.0 | 5,829,795,000 | + 17.3 | 84.1 |
| **1979** | 8,791,661,000 | + 12.8 | 98.6 | 6,666,822,000 | + 14.4 | 92.5 |
| **1980** | 9,820,753,000 | + 11.7 | 104.9 | 6,885,159,000 | + 3.3 | 98.0 |
| **1981** | 10,779,626,000 | + 9.8 | 101.4 | 6,869,978,000 | – 0.2 | 106.0 |
| **1982** | 11,746,998,000 | + 9.0 | 103.5 | 7,009,385,000 | + 2.0 | 115.6 |
| **1983** | 12,511,830,000 | + 6.5 | 103.2 | 7,292,720,000 | + 4.0 | 122.6 |
| **1984** | 13,212,762,000 | + 5.6 | 106.1 | 8,286,962,000 | + 13.6 | 134.5 |
| **1985** | 14,066,391,000 | + 6.5 | 111.3 | 12,096,578,000 | + 46.0 | 121.1 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A. M. Best Company, Inc., Best Aggregates & Averages.

### Farmowners Multiple Peril, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $313,114,000 | | 103.0 |
| 1977 | 386,709,000 | +23.5% | 97.4 |
| 1978 | 434,478,000 | +12.4 | 96.1 |
| 1979 | 518,569,000 | +19.4 | 93.2 |
| 1980 | 554,759,000 | + 7.0 | 112.0 |
| 1981 | 619,889,000 | +11.7 | 111.2 |
| 1982 | 668,991,000 | + 7.9 | 120.0 |
| 1983 | 691,553,000 | + 3.4 | 111.4 |
| 1984 | 729,153,000 | + 5.4 | 119.4 |
| 1985 | 769,915,000 | + 5.6 | 112.3 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A. M. Best Company, Inc., Best Aggregates & Averages.

## Crop-Hail Insurance

Hail storms, which occur most frequently in the Great Plains states, often destroy hundreds of thousands — even millions — of dollars worth of crops. Crop-hail insurance provides financial protection against damage resulting from hail or other perils.

The crop-hail insurance industry turned a profit in 1985 for the fourth consecutive year although premium volume declined by 12.2 percent. The Crop-Hail Insurance Actuarial Association attributed the decrease in premiums to a depressed farm economy.

Leading premium volume states were Minnesota, North Dakota, Iowa and Kansas.

The private insurers wrote an additional $322 million in multiple peril crop insurance in 1985, up from $260 million in 1984. Enactment of the Federal Crop Insurance Act of 1980 made it feasible for insurers to offer this "all-risk" coverage because of the availability of reinsurance from the government. However, both private industry and the Federal Crop Insurance Corporation sustained heavy losses on this business in 1985, primarily because of severe drought in Montana.

### Crop-Hail Insurance, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $324,150,000 | | 93.4 |
| 1977 | 338,963,000 | + 4.6% | 105.4 |
| 1978 | 349,782,000 | + 3.2 | 111.1 |
| 1979 | 394,666,000 | +12.8 | 92.4 |
| 1980 | 415,368,000 | + 5.2 | 133.3 |
| 1981 | 502,503,000 | +21.0 | 102.1 |
| 1982 | 531,570,000 | + 5.8 | 88.7 |
| 1983 | 443,838,000 | −16.5 | 88.7 |
| 1984 | 508,977,000 | +14.6 | 75.9 |
| 1985 | 447,065,000 | −12.2 | 93.4 |

*Combined loss ratios are estimates based on expenses reported by members and subscribers of the Crop-Hail Insurance Actuarial Association.

Source: Crop-Hail Insurance Actuarial Association

## General Liability Insurance

General liability insurance provides protection against claims arising from injuries to others, or damage to property of others, and for which the insured person is held responsible because of ownership of property, a manufacturing or contracting operation, the sale or distribution of products, the operation of elevators and the like, as well as professional services. The general liability line does not cover injuries or damages growing out of automobile accidents, which must be insured separately.

Sharp increases in the number of lawsuits and the average size of claims in recent years, particularly against doctors and other professional people and product manufacturers, have helped to generate a continuing need for the financial protection afforded by general liability insurance. Although liability coverage is included in both commercial and homeowners "package" policies, the premium volume for the general liability line alone rose steadily for many years. Underwriting profits in 1977 and 1978, however, created a competitive market which brought down the cost of general liability insurance. This development, in turn, contributed to a slowdown in the premium growth rate in 1978 and 1979 and to a decline in premium volume in each of the next three years. However, the premium volume soared by 78.2 percent in 1985 after a 14.1 percent increase in 1984.

This line has been increasingly unprofitable since 1979, although the combined ratio of losses and expenses to premiums showed slight improvement in 1985.

**Medical Malpractice:** Medical malpractice insurance premiums were included in the general liability totals through 1974, but have been reported separately since that time. A proliferation of insurance claims and lawsuits against hospitals, doctors and other medical practitioners has not only generated a heavy demand for medical malpractice insurance in recent years, but has contributed to increasingly heavy underwriting losses over the last eight years.

### General Liability/Medical Malpractice, 1976-1985

| | General Liability | | | Medical Malpractice | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| 1976 | $ 4,251,298,000 | | 106.5 | $1,132,790,000 | | 109.8 |
| 1977 | 5,845,075,000 | +37.9% | 99.6 | 1,247,798,000 | +10.2% | 92.9 |
| 1978 | 6,490,064,000 | +11.0 | 96.9 | 1,215,789,000 | − 2.6 | 102.6 |
| 1979 | 6,612,474,000 | + 1.9 | 97.6 | 1,204,326,000 | − 0.9 | 112.6 |
| 1980 | 6,414,678,000 | − 3.0 | 106.6 | 1,275,603,000 | + 5.9 | 128.2 |
| 1981 | 6,046,292,000 | − 5.7 | 115.3 | 1,338,299,000 | + 4.9 | 135.7 |
| 1982 | 5,668,459,000 | − 6.2 | 128.6 | 1,490,270,000 | +11.4 | 149.3 |
| 1983 | 5,679,295,000 | + 0.2 | 137.6 | 1,568,001,000 | + 5.2 | 150.1 |
| 1984 | 6,479,268,000 | +14.1 | 151.1 | 1,774,754,000 | +13.2 | 161.1 |
| 1985 | 11,544,152,000 | +78.2 | 145.3 | 2,769,230,000 | +56.0 | 166.0 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, inc., Best's Aggregates & Averages.

## Workers' Compensation Insurance

Workers' compensation insurance is designed to provide for the cost of medical care, rehabilitation and lost wages for injured employees and death benefits for the dependents of persons killed in work-related accidents. The scope of this coverage has broadened considerably in recent years, in large measure because of improvements in state laws to meet performance standards recommended in 1972 by the National Commission on State Workmen's Compensation Laws. Many states have taken action not only to expand benefits but also to make the coverage applicable to classifications of employees not previously covered.

About nine out of ten people in the nation's work force have the protection of workers' compensation insurance, which today is compulsory for nearly all employees in all but three states, New Jersey, South Carolina and Texas. Even in those states, however, most businesses provide the coverage in order to limit their risk of negligence suits.

With the recession of recent years and a continuing high rate of unemployment held to be the main contributing factors, premium growth has been uncharacteristically slow since 1979. An increase of 12.8 percent in 1985 was the largest since 1979.

Among the incentives offered to employers by workers' compensation insurers to develop and implement effective safety programs is the practice of returning premium dollars at the end of each year to companies with a favorable loss experience. Workers' compensation insurers account for a large part of the dividends returned to policyholders by property/casualty insurers each year with the result that the line has been generally unprofitable for many years despite combined loss and expense ratios which have been less than 100.0 in five of the last eight years. In 1985 alone, dividends to policyholders amounted to about 9.3 percent of premiums earned by workers' compensation insurers.

### Workers' Compensation 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| **1976** | $7,534,249,000 | | 104.2 |
| **1977** | 9,357,399,000 | +24.2% | 103.5 |
| **1978** | 11,300,144,000 | +20.8 | 99.4 |
| **1979** | 13,164,144,000 | +16.5 | 96.4 |
| **1980** | 14,238,247,000 | + 8.2 | 93.4 |
| **1981** | 14,616,297,000 | + 2.7 | 94.1 |
| **1982** | 13,945,256,000 | − 4.6 | 94.0 |
| **1983** | 14,005,293,000 | + 0.4 | 101.9 |
| **1984** | 15,107,292,000 | + 7.9 | 112.0 |
| **1985** | 17,047,548,000 | +12.8 | 109.5 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Surety and Fidelity

Surety bonds, including contract, license and permit, court and fiduciary bonds, provide for monetary compensation should there be a failure to perform certain acts — such as the proper fulfillment of a construction contract — within a stated period. Surety bond premiums increased 44.7 percent in 1985.

Fidelity bonds, a suretyship product, are a form of protection against losses caused by dishonest or fraudulent acts of employees. Although most financial institutions are bonded, fewer than 25 percent of mercantile establishments protect themselves with fidelity bonds. In 1985, the premium volume rose by some 36.3 percent.

### Surety and Fidelity, 1976-1985

| | Surety | | | Fidelity | | |
|---|---|---|---|---|---|---|
| Year | Premiums Written | Annual % Change | Combined Ratio* | Premiums Written | Annual % Change | Combined Ratio* |
| 1976 | $ 587,154,000 | | 102.5 | $247,678,000 | | 105.4 |
| 1977 | 663,083,000 | +12.9% | 96.4 | 291,114,000 | +17.5% | 110.4 |
| 1978 | 759,480,000 | +14.5 | 96.9 | 316,703,000 | + 8.8 | 105.4 |
| 1979 | 805,142,000 | + 6.0 | 90.8 | 350,046,000 | +10.5 | 87.9 |
| 1980 | 887,577,000 | +10.2 | 105.7 | 360,063,000 | + 2.9 | 93.2 |
| 1981 | 970,498,000 | + 9.3 | 86.1 | 380,749,000 | + 5.7 | 98.9 |
| 1982 | 1,094,117,000 | +12.7 | 89.4 | 360,041,000 | − 5.4 | 113.5 |
| 1983 | 1,272,198,000 | +16.3 | 87.5 | 376,651,000 | + 4.6 | 122.3 |
| 1984 | 1,564,934,000 | +23.0 | 95.6 | 431,719,000 | +14.6 | 118.4 |
| 1985 | 2,264,435,000 | +44.7 | 112.5 | 588,245,000 | +36.3 | 94.9 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Burglary and Theft Insurance

The burglary lines include coverages for loss of property (including money and securities) due to burglary, robbery and larceny, and loss of money and securities due to destruction or disappearance. Much of this coverage is now included in package policies. Premium volume increased by 12.2 percent in 1985.

### Burglary and Theft, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $124,447,000 | | 78.0 |
| 1977 | 129,538,000 | +4.1% | 71.3 |
| 1978 | 132,855,000 | +2.6 | 70.5 |
| 1979 | 140,071,000 | +5.4 | 78.1 |
| 1980 | 135,727,000 | −3.1 | 88.8 |
| 1981 | 127,534,000 | −6.0 | 92.9 |
| 1982 | 114,905,000 | −9.9 | 94.5 |
| 1983 | 105,825,000 | −7.9 | 87.0 |
| 1984 | 109,005,000 | +3.0 | 80.0 |
| 1985 | 122,259,000 | +12.2 | 73.1 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Boiler and Machinery Insurance

This specialized line covers a wide variety of power-producing equipment. Insurance companies place considerable emphasis on inspection and engineering techniques in the interest of safety. The growth of automation in industrial processes and the increased size and sophistication of production facilities have heightened the need for loss-preventive services. The boiler and machinery premium volume, which has reached a record high in each of the last three years, increased by 40.8 percent in 1985.

### Boiler and Machinery, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $169,827,000 | | 93.8 |
| 1977 | 216,772,000 | +27.6% | 87.3 |
| 1978 | 255,873,000 | +18.0 | 84.5 |
| 1979 | 282,795,000 | +10.5 | 87.5 |
| 1980 | 292,624,000 | + 3.5 | 90.2 |
| 1981 | 298,320,000 | + 1.9 | 92.4 |
| 1982 | 292,845,000 | − 1.8 | 100.3 |
| 1983 | 355,861,000 | +21.5 | 107.1 |
| 1984 | 439,108,000 | +23.4 | 117.8 |
| 1985 | 618,358,000 | +40.8 | 79.8 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Glass Insurance

Architectural demands, merchandising trends and decorative constructional functions have contributed to an ever-increasing use of glass and a continuing need for glass insurance. With glass coverage included in many of the popular multiple peril package policies, premium volume for glass insurance generally has been on the decline for several years.

### Glass, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $32,492,000 | | 100.5 |
| 1977 | 34,298,000 | + 5.6% | 95.2 |
| 1978 | 34,951,000 | + 1.9 | 99.3 |
| 1979 | 33,457,000 | − 4.3 | 103.3 |
| 1980 | 32,248,000 | − 3.6 | 110.3 |
| 1981 | 31,085,000 | − 3.6 | 108.8 |
| 1982 | 28,814,000 | − 7.3 | 105.2 |
| 1983 | 27,092,000 | − 6.0 | 105.3 |
| 1984 | 27,842,000 | + 2.8 | 87.6 |
| 1985 | 25,492,000 | − 8.4 | 83.9 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Best's Aggregates & Averages.

## Inland Marine Insurance

Inland marine insurance, originally developed to cover goods in transit by other than ocean vessels, today covers such instruments of transportation as bridges and tunnels as well as personal effects, personal property, jewelry, furs, fine arts and many other properties.

Inland marine premium volume continues to increase each year despite the diversion of personal property coverages to homeowners and other package forms.

### Inland Marine, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $1,444,450,000 | | 89.6 |
| 1977 | 1,606,518,000 | +11.2% | 85.7 |
| 1978 | 1,867,189,000 | +16.2 | 86.5 |
| 1979 | 2,061,306,000 | +10.4 | 94.9 |
| 1980 | 2,291,294,000 | +11.2 | 102.1 |
| 1981 | 2,427,692,000 | + 6.0 | 102.1 |
| 1982 | 2,509,999,000 | + 3.4 | 102.1 |
| 1983 | 2,649,461,000 | + 5.6 | 102.8 |
| 1984 | 3,017,099,000 | +13.9 | 106.0 |
| 1985 | 3,672,227,000 | +21.7 | 95.8 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Ocean Marine Insurance

The American ocean marine hull and cargo market has gradually expanded in volume and capacity. Its growth reflects not only greater international trade but the increase in ownership of pleasure craft along the coastal and inland waterways.

### Ocean Marine, 1976-1985

| Year | Premiums Written | Annual % Change | Combined Ratio* |
|---|---|---|---|
| 1976 | $ 902,408,000 | | 98.4 |
| 1977 | 971,456,000 | + 7.7% | 101.2 |
| 1978 | 1,000,203,000 | + 3.0 | 100.3 |
| 1979 | 1,008,816,000 | + 0.9 | 108.5 |
| 1980 | 1,064,798,000 | + 5.5 | 115.0 |
| 1981 | 1,126,766,000 | + 5.8 | 110.3 |
| 1982 | 1,100,596,000 | − 2.3 | 112.9 |
| 1983 | 1,096,231,000 | − 0.4 | 112.6 |
| 1984 | 1,155,131,000 | + 5.4 | 112.7 |
| 1985 | 1,176,528,000 | + 1.9 | 104.4 |

*Before dividends to policyholders. The combined ratio measures the relationship between premiums and insurance companies' expenses and claim losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claim losses.

Source: A.M. Best Company, Inc., Best's Aggregates & Averages.

## Nuclear Insurance

Insurance against losses resulting from nuclear accidents is provided by three insurance company groups: the American Nuclear Insurers, the Mutual Atomic Energy Liability Underwriters and the MAERP Reinsurance Association. Coverage against nuclear losses through the pools has been available since 1957.

Together the nuclear pools make available to any nuclear facility:

- Up to $160 million of liability coverage (bodily injury and property damage combined) and $30 million of contingent liability. These coverages provide financial protection for the general public.
- Up to $585 million of insurance to cover damage to the property of nuclear facility operators on an "all-risk" basis.

For both forms of coverage, premium volume has been increasing steadily over the years, although an adjustment in the 1983 total showed that the liability premium total declined by 9.6 percent in that year. An estimated $41.6 million in liability premiums in 1985 represented a rise of 17 percent from the 1984 total. Property insurance premiums jumped by 9.2 percent to a record $143.9 million.

A large share of the liability premium income of the pools has been returned to the nuclear facilities annually in the form of refunds. Under a program known as the Industry Credit Rating Plan, approximately 70 percent of liability premium income is placed in a reserve fund used only for loss or loss expense payments. That portion not used during a period of 10 years is refunded to the insureds. More than $4.9 million was refunded in 1985, bringing to $33.9 million the amount returned to the facilities since 1967.

The following table shows the premium income since 1957 for the nuclear insurance domestic liability and property insurance pools.

### Nuclear Insurance Premiums, 1957-1985

| Year | Liability Premium | % Annual Change, 1977-1985 | Property Premium | % Annual Change, 1977-1985 |
|---|---|---|---|---|
| **1957-1975** | $74,006,812* | | $117,094,889* | |
| **1976** | 15,351,874 | | 25,520,449 | |
| **1977** | 17,532,802 | + 14.2 | 28,773,664 | + 12.7 |
| **1978** | 19,184,000 | + 9.4 | 30,702,774 | + 6.7 |
| **1979** | 20,316,309 | + 5.9 | 40,199,176 | + 30.9 |
| **1980** | 23,002,157 | + 13.2 | 61,353,439 | + 52.6 |
| **1981** | 27,521,486 | + 19.6 | 74,263,992 | + 20.0 |
| **1982** | 30,255,952 | + 9.9 | 98,826,043 | + 33.1 |
| **1983** | 27,362,869 | − 9.6 | 111,680,839 | + 13.0 |
| **1984** | 35,543,147 | + 29.9 | 131,798,114 | + 18.0 |
| **1985** | 41,597,000** | + 17.0 | 143,880,947 | + 9.2 |

*Represents gross written premium from inception to Nov. 30, 1975.

**Estimated.

Source: American Nuclear Insurers

## Direct Written Premiums by State

Direct premiums written by property and casualty insurance companies in 1985 totaled about $151.8 billion, an increase of 24.6 percent over the 1984 total. Data provided by A.M. Best Company (representing about 98 percent of the nation's total insurance market) provided the basis for the tabulations that follow of premiums by state and by line.

The direct written premium total included $148,698,052,000 in premiums for the various property and casualty coverages and $3,118,644,000 in accident and health insurance premiums.

The totals differ slightly from the premium totals shown elsewhere in Insurance Facts because the tabulations presented here are based on direct premiums written and those used elsewhere are based on net premiums written. Direct written premiums are the amounts actually paid by the policyholders. Net written premiums reflect additional exchanges of premiums among insurance companies which contract, through a process known as reinsurance, to absorb specified portions of each other's losses.

### Direct Written Premiums by State 1985, (000 omitted)

| State | All Lines' Total | State | All Lines' Total |
|---|---:|---|---:|
| Alabama | $ 1,937,089 | Montana | $ 465,582 |
| Alaska | 595,852 | Nebraska | 930,834 |
| Arizona | 1,994,350 | Nevada | 597,524 |
| Arkansas | 1,163,024 | New Hampshire | 767,423 |
| California | 21,617,750 | New Jersey | 5,441,129 |
| Colorado | 2,150,089 | New Mexico | 830,861 |
| Connecticut | 2,929,494 | New York | 13,212,432 |
| Delaware | 464,268 | North Carolina | 2,713,024 |
| District of Columbia | 476,884 | North Dakota | 382,923 |
| Florida | 7,469,788 | Ohio | 4,835,205 |
| Georgia | 3,477,349 | Oklahoma | 2,027,792 |
| Hawaii | 738,060 | Oregon | 1,570,277 |
| Idaho | 506,298 | Pennsylvania | 7,597,480 |
| Illinois | 7,432,097 | Rhode Island | 658,337 |
| Indiana | 2,640,635 | South Carolina | 1,646,483 |
| Iowa | 1,503,586 | South Dakota | 347,435 |
| Kansas | 1,544,749 | Tennessee | 2,502,276 |
| Kentucky | 1,718,876 | Texas | 10,712,324 |
| Louisiana | 2,952,403 | Utah | 677,143 |
| Maine | 693,017 | Vermont | 335,952 |
| Maryland | 2,855,668 | Virginia | 2,907,534 |
| Massachusetts | 4,781,165 | Washington | 2,322,521 |
| Michigan | 6,005,079 | West Virginia | 756,950 |
| Minnesota | 2,992,456 | Wisconsin | 2,513,824 |
| Mississippi | 1,185,781 | Wyoming | 264,643 |
| Missouri | 2,972,984 | | |
| | | Countrywide | $151,816,696 |

Source: A.M. Best Company, Inc., Best's Executive Data Service.

## Direct Written Premiums by Line, 1985 (000 omitted)

| State | Pvt. Pass. Automobile Liability | Commercial Automobile Liability | Pvt. Pass. Automobile Phys. Dmg. | Commercial Automobile Phys. Dmg. | Homeowners | Farmowners |
|---|---|---|---|---|---|---|
| Alabama | $ 268,543 | $ 112,614 | $ 335,441 | $ 64,834 | $ 243,313 | $ 19,243 |
| Alaska | 71,247 | 23,528 | 57,975 | 11,655 | 38,512 | 12 |
| Arizona | 454,526 | 121,450 | 283,469 | 46,126 | 178,564 | 3,866 |
| Arkansas | 171,398 | 84,181 | 179,647 | 45,329 | 140,800 | 7,181 |
| California | 4,479,401 | 985,732 | 2,864,060 | 398,822 | 1,716,384 | 42,577 |
| Colorado | 421,432 | 110,405 | 339,265 | 66,758 | 221,050 | 15,100 |
| Connecticut | 584,865 | 179,758 | 362,377 | 70,958 | 272,221 | 1,077 |
| Delaware | 87,760 | 25,073 | 60,710 | 11,411 | 35,763 | 1,831 |
| Dist. of Col. | 64,543 | 14,196 | 44,587 | 4,523 | 30,301 | — |
| Florida | 1,672,180 | 514,660 | 985,498 | 181,973 | 658,125 | 5,451 |
| Georgia | 700,804 | 223,637 | 540,329 | 103,094 | 329,993 | 24,447 |
| Hawaii | 153,322 | 36,616 | 82,559 | 12,262 | 52,102 | 12 |
| Idaho | 86,421 | 29,551 | 72,027 | 18,982 | 42,721 | 14,989 |
| Illinois | 1,154,401 | 348,404 | 980,139 | 162,742 | 627,507 | 55,810 |
| Indiana | 462,560 | 160,194 | 421,927 | 106,526 | 327,599 | 49,590 |
| Iowa | 225,331 | 84,954 | 188,725 | 51,979 | 128,362 | 28,774 |
| Kansas | 234,422 | 84,228 | 223,056 | 57,935 | 166,620 | 33,711 |
| Kentucky | 303,281 | 97,988 | 259,388 | 61,091 | 167,206 | 41,428 |
| Louisiana | 532,117 | 203,497 | 372,107 | 72,932 | 324,048 | 1,619 |
| Maine | 93,453 | 38,877 | 88,942 | 23,502 | 75,570 | 1,375 |
| Maryland | 769,082 | 172,365 | 375,059 | 69,728 | 232,533 | 7,451 |
| Massachusetts | 937,114 | 244,085 | 757,550 | 149,006 | 506,417 | 828 |
| Michigan | 967,759 | 220,495 | 1,180,950 | 172,445 | 555,123 | 44,466 |
| Minnesota | 517,030 | 150,660 | 313,388 | 79,650 | 282,071 | 24,717 |
| Mississippi | 166,709 | 73,558 | 191,045 | 51,371 | 166,639 | 666 |
| Missouri | 462,682 | 162,173 | 463,535 | 84,842 | 296,759 | 37,691 |
| Montana | 75,101 | 30,547 | 65,003 | 23,288 | 43,218 | 13,323 |
| Nebraska | 119,063 | 53,622 | 119,790 | 37,214 | 83,576 | 22,856 |
| Nevada | 156,188 | 30,001 | 94,369 | 13,985 | 66,379 | 1,812 |
| New Hampshire | 133,070 | 45,895 | 120,046 | 28,619 | 82,134 | 326 |
| New Jersey | 891,086 | 499,688 | 458,624 | 182,457 | 542,091 | 946 |
| New Mexico | 141,008 | 45,866 | 119,070 | 37,950 | 75,853 | 5,654 |
| New York | 2,363,774 | 808,033 | 1,438,153 | 278,960 | 1,136,537 | 11,240 |
| North Carolina | 563,681 | 196,752 | 453,637 | 89,158 | 307,325 | 17,842 |
| North Dakota | 52,281 | 20,016 | 52,730 | 16,686 | 29,052 | 15,324 |
| Ohio | 1,020,440 | 285,726 | 855,659 | 158,145 | 573,659 | 30,735 |
| Oklahoma | 306,483 | 118,184 | 325,388 | 72,854 | 268,238 | 36,826 |
| Oregon | 325,752 | 89,702 | 213,804 | 48,989 | 131,149 | 16,627 |
| Pennsylvania | 1,822,632 | 452,504 | 898,876 | 190,932 | 612,908 | 18,093 |
| Rhode Island | 108,741 | 33,121 | 99,632 | 16,965 | 71,920 | 39 |
| South Carolina | 389,570 | 89,440 | 278,021 | 44,582 | 181,268 | 2,060 |
| South Dakota | 45,658 | 21,011 | 47,123 | 17,235 | 23,935 | 11,174 |
| Tennessee | 380,640 | 152,490 | 379,444 | 75,824 | 276,150 | 27,581 |
| Texas | 1,563,429 | 619,821 | 1,664,243 | 323,460 | 1,087,436 | 35,144 |
| Utah | 124,649 | 46,992 | 116,648 | 27,844 | 65,017 | 2,821 |
| Vermont | 43,402 | 21,168 | 49,526 | 12,198 | 40,542 | 5,990 |
| Virginia | 660,516 | 180,524 | 437,949 | 80,113 | 261,199 | 12,379 |
| Washington | 534,426 | 139,143 | 332,768 | 61,897 | 255,279 | 19,057 |
| West Virginia | 171,354 | 43,120 | 158,624 | 26,821 | 86,327 | 2,976 |
| Wisconsin | 427,018 | 133,926 | 326,703 | 76,920 | 212,979 | 42,881 |
| Wyoming | 36,337 | 17,142 | 50,508 | 12,874 | 30,326 | 5,519 |
| Totals | $28,498,679 | $8,677,309 | $21,180,094 | $4,136,446 | $14,360,803 | $823,136 |

Source: A. M. Best Company, Inc., Best's Executive Data Service.

# Direct Written Premiums by Line, 1985 (000 omitted)

| State | Commercial Multi-Peril | Workers' Compensation | Medical Malpractice | Other Liability | Fire | Allied Lines |
|---|---|---|---|---|---|---|
| Alabama | $ 153,233 | $ 237,128 | $ 40,000 | $ 163,705 | $ 60,516 | $ 27,903 |
| Alaska | 68,670 | 149,076 | 6,324 | 48,962 | 16,960 | 5,043 |
| Arizona | 205,747 | 195,230* | 64,047 | 201,828 | 31,314 | 24,327 |
| Arkansas | 96,698 | 146,831 | 12,381 | 77,475 | 47,914 | 29,069 |
| California | 2,216,015 | 3,706,360* | 485,835 | 2,059,964 | 384,909 | 195,606 |
| Colorado | 225,156 | 220,155* | 19,458 | 205,125 | 30,646 | 41,668 |
| Connecticut | 271,751 | 460,527 | 57,867 | 346,759 | 50,531 | 29,319 |
| Delaware | 31,059 | 55,809 | 16,712 | 48,781 | 7,920 | 4,014 |
| Dist. of Col. | 47,671 | 86,300 | 19,519 | 68,402 | 8,772 | 4,436 |
| Florida | 710,351 | 882,793 | 136,647 | 633,647 | 112,797 | 116,117 |
| Georgia | 267,752 | 424,966 | 74,198 | 277,283 | 87,233 | 44,880 |
| Hawaii | 51,808 | 192,931 | 12,411 | 64,260 | 12,516 | 6,173 |
| Idaho | 47,843 | 71,678* | 9,541 | 37,760 | 11,327 | 15,032 |
| Illinois | 691,859 | 1,052,211 | 204,772 | 997,070 | 138,694 | 132,638 |
| Indiana | 275,201 | 210,813 | 28,184 | 235,702 | 62,107 | 42,044 |
| Iowa | 127,838 | 151,877 | 31,928 | 172,050 | 36,160 | 121,914 |
| Kansas | 128,342 | 173,209 | 24,947 | 142,214 | 32,344 | 68,484 |
| Kentucky | 141,045 | 205,581 | 29,017 | 139,872 | 43,479 | 23,540 |
| Louisiana | 180,252 | 401,599 | 37,295 | 302,060 | 100,951 | 62,878 |
| Maine | 59,600 | 170,698 | 18,682 | 44,566 | 17,710 | 6,594 |
| Maryland | 222,779 | 399,626* | 82,850 | 229,628 | 47,314 | 21,194 |
| Massachusetts | 414,031 | 817,903 | 21,859 | 435,304 | 89,830 | 37,978 |
| Michigan | 527,084 | 626,446* | 154,384 | 995,322 | 92,970 | 42,051 |
| Minnesota | 275,467 | 498,030 | 56,243 | 312,579 | 50,477 | 100,437 |
| Mississippi | 61,488 | 143,873 | 13,545 | 84,058 | 64,965 | 39,561 |
| Missouri | 280,816 | 301,304 | 79,392 | 305,543 | 68,919 | 58,140 |
| Montana | 47,386 | 51,165* | 7,410 | 33,534 | 10,960 | 19,482 |
| Nebraska | 85,517 | 95,326 | 10,694 | 84,616 | 21,272 | 79,141 |
| Nevada | 84,518 | 1,737* | 12,834 | 56,596 | 13,697 | 6,126 |
| New Hampshire | 64,639 | 135,151 | 9,625 | 70,073 | 17,130 | 7,020 |
| New Jersey | 623,298 | 765,346 | 162,233 | 673,481 | 94,509 | 52,880 |
| New Mexico | 70,839 | 172,621 | 3,768 | 56,319 | 14,550 | 13,274 |
| New York | 1,504,191 | 1,079,758* | 530,753 | 1,808,197 | 253,769 | 82,396 |
| North Carolina | 203,612 | 252,655 | 49,271 | 182,153 | 74,318 | 58,218 |
| North Dakota | 32,957 | 975* | 11,005 | 33,085 | 10,958 | 63,525 |
| Ohio | 517,778 | 18,282* | 148,428 | 572,903 | 124,187 | 41,243 |
| Oklahoma | 159,498 | 241,138* | 23,180 | 168,332 | 54,589 | 50,710 |
| Oregon | 148,516 | 223,354* | 29,475 | 137,056 | 37,293 | 22,750 |
| Pennsylvania | 627,475 | 1,215,941* | 162,049 | 752,367 | 156,949 | 58,206 |
| Rhode Island | 57,775 | 108,337 | 2,474 | 82,269 | 13,935 | 5,835 |
| South Carolina | 128,181 | 195,900 | 6,664 | 93,469 | 52,425 | 31,415 |
| South Dakota | 35,089 | 34,727 | 7,170 | 27,072 | 11,237 | 24,554 |
| Tennessee | 208,263 | 273,808 | 165,625 | 202,501 | 74,731 | 27,194 |
| Texas | 648,614 | 1,715,569 | 94,346 | 1,036,394 | 360,047 | 257,830 |
| Utah | 73,364 | 45,176* | 11,360 | 60,216 | 11,616 | 5,967 |
| Vermont | 40,203 | 46,953 | 8,016 | 31,224 | 9,790 | 3,746 |
| Virginia | 234,064 | 375,003 | 56,916 | 231,204 | 69,065 | 33,262 |
| Washington | 262,029 | 35,477* | 57,059 | 239,301 | 53,950 | 33,361 |
| West Virginia | 60,444 | 8,501* | 28,526 | 61,219 | 26,968 | 7,786 |
| Wisconsin | 215,604 | 415,539 | 27,800 | 258,694 | 46,868 | 34,933 |
| Wyoming | 35,496 | 7,321* | 3,691 | 22,713 | 6,481 | 5,538 |
| Totals | $13,948,905 | $19,499,807* | $3,368,411 | $15,605,996 | $3,330,570 | $2,327,432 |

**Does not include premiums written by state workers' compensation funds.*

Source: A. M. Best Company, Inc., Best's Executive Data Service.

# Direct Written Premiums by Line, 1985 (000 omitted)

| State | Inland Marine | Ocean Marine | Surety | Fidelity | Burglary & Theft | Boiler & Machinery |
|---|---|---|---|---|---|---|
| Alabama | $ 57,171 | $ 10,371 | $ 27,639 | $ 8,343 | $ 1,426 | $ 10,498 |
| Alaska | 22,501 | 8,564 | 16,079 | 1,748 | 105 | 3,820 |
| Arizona | 47,711 | 2,478 | 43,061 | 6,215 | 1,067 | 5,903 |
| Arkansas | 41,779 | 2,119 | 17,874 | 4,707 | 610 | 6,391 |
| California | 691,362 | 109,836 | 308,201 | 74,487 | 11,651 | 46,564 |
| Colorado | 65,560 | 2,090 | 45,043 | 10,854 | 1,670 | 8,244 |
| Connecticut | 76,607 | 17,637 | 39,047 | 11,042 | 3,076 | 9,151 |
| Delaware | 13,570 | 2,957 | 31,934 | 1,605 | 402 | 2,983 |
| Dist. of Col. | 14,679 | 1,862 | 17,466 | 8,499 | 857 | 2,236 |
| Florida | 217,395 | 54,651 | 166,193 | 24,302 | 5,361 | 24,302 |
| Georgia | 110,002 | 11,268 | 46,511 | 12,915 | 2,951 | 12,631 |
| Hawaii | 10,137 | 4,724 | 12,454 | 1,953 | 600 | 2,348 |
| Idaho | 13,767 | 481 | 8,314 | 1,864 | 189 | 3,390 |
| Illinois | 204,442 | 31,998 | 114,383 | 42,371 | 6,913 | 30,689 |
| Indiana | 66,336 | 4,502 | 33,573 | 11,256 | 1,743 | 12,036 |
| Iowa | 44,338 | 1,635 | 14,931 | 6,967 | 1,205 | 7,714 |
| Kansas | 50,126 | 920 | 25,618 | 6,640 | 989 | 4,402 |
| Kentucky | 53,151 | 7,339 | 29,695 | 8,119 | 1,060 | 7,211 |
| Louisiana | 82,017 | 79,016 | 59,696 | 7,798 | 1,761 | 13,027 |
| Maine | 16,952 | 6,372 | 5,608 | 2,200 | 418 | 3,718 |
| Maryland | 65,076 | 12,686 | 35,920 | 10,506 | 2,300 | 6,949 |
| Massachusetts | 119,421 | 36,713 | 46,407 | 20,406 | 3,387 | 17,560 |
| Michigan | 115,347 | 21,940 | 49,890 | 22,323 | 3,849 | 24,821 |
| Minnesota | 79,479 | 15,198 | 41,132 | 13,231 | 2,321 | 9,998 |
| Mississippi | 42,785 | 3,614 | 16,306 | 3,964 | 1,205 | 4,912 |
| Missouri | 89,547 | 28,369 | 44,827 | 15,513 | 3,273 | 9,035 |
| Montana | 11,768 | 294 | 11,629 | 1,968 | 251 | 2,879 |
| Nebraska | 31,623 | 2,167 | 15,060 | 5,070 | 943 | 4,111 |
| Nevada | 14,281 | 1,060 | 13,056 | 1,970 | 891 | 2,609 |
| New Hampshire | 18,883 | 3,362 | 5,977 | 1,987 | 488 | 2,079 |
| New Jersey | 156,179 | 25,701 | 76,889 | 25,489 | 6,501 | 23,639 |
| New Mexico | 19,012 | 332 | 18,149 | 2,903 | 364 | 3,368 |
| New York | 403,684 | 473,374 | 292,823 | 140,945 | 18,552 | 41,026 |
| North Carolina | 78,174 | 9,165 | 28,403 | 9,626 | 2,643 | 12,383 |
| North Dakota | 10,945 | 340 | 4,684 | 1,647 | 231 | 2,656 |
| Ohio | 135,798 | 15,200 | 70,079 | 24,210 | 7,035 | 23,487 |
| Oklahoma | 67,589 | 5,574 | 28,261 | 9,545 | 1,399 | 5,654 |
| Oregon | 43,029 | 13,853 | 22,637 | 5,268 | 1,292 | 6,452 |
| Pennsylvania | 163,116 | 19,767 | 119,188 | 37,466 | 6,557 | 41,371 |
| Rhode Island | 19,192 | 6,388 | 7,118 | 3,429 | 502 | 2,343 |
| South Carolina | 45,897 | 4,749 | 26,392 | 4,151 | 888 | 8,170 |
| South Dakota | 9,660 | 63 | 6,520 | 1,534 | 267 | 1,716 |
| Tennessee | 65,430 | 5,799 | 46,162 | 11,280 | 1,742 | 9,743 |
| Texas | 394,344 | 132,601 | 215,309 | 37,129 | 7,199 | 36,290 |
| Utah | 18,996 | 986 | 16,355 | 4,042 | 379 | 2,025 |
| Vermont | 7,577 | 992 | 2,185 | 1,886 | 222 | 1,674 |
| Virginia | 78,571 | 13,506 | 39,842 | 9,780 | 2,466 | 10,499 |
| Washington | 84,531 | 49,257 | 45,226 | 8,872 | 1,948 | 10,893 |
| West Virginia | 21,607 | 1,222 | 14,034 | 3,415 | 667 | 4,502 |
| Wisconsin | 60,675 | 5,137 | 21,770 | 11,359 | 2,963 | 20,185 |
| Wyoming | 8,634 | 162 | 9,005 | 1,583 | 159 | 2,224 |
| Totals | $4,380,454 | $1,270,393 | $2,454,556 | $706,384 | $127,039 | $572,513 |

Source: A. M. Best Company, Inc., Best's Executive Data Service

## Direct Written Premiums by Line, 1985 (000 omitted)

| State | Glass | Aircraft | Earthquake | Credit | Accident & Health | Miscellaneous |
|---|---|---|---|---|---|---|
| Alabama | $ 227 | $ 7,372 | $ 333 | $ 2,557 | $ 46,542 | $ 38,135 |
| Alaska | 8 | 22,803 | 1,419 | 3,177 | 3,731 | 13,931 |
| Arizona | 297 | 15,015 | 584 | 624 | 32,018 | 28,883 |
| Arkansas | 197 | 6,975 | 748 | 519 | 21,329 | 20,871 |
| California | 3,858 | 106,652 | 164,825 | 14,444 | 278,563 | 271,639 |
| Colorado | 286 | 14,381 | 774 | 2,263 | 50,063 | 32,647 |
| Connecticut | 355 | 23,499 | 831 | 3,120 | 27,055 | 35,065 |
| Delaware | 77 | 1,910 | 88 | 770 | 15,710 | 5,329 |
| Dist. of Col. | 70 | 6,251 | 35 | 69 | 25,514 | 6,008 |
| Florida | 1,007 | 43,318 | 768 | 5,318 | 163,198 | 153,735 |
| Georgia | 283 | 24,732 | 768 | 5,538 | 72,048 | 79,089 |
| Hawaii | 183 | 6,409 | 218 | 1 | 10,433 | 11,626 |
| Idaho | 59 | 4,341 | 207 | 475 | 7,970 | 7,368 |
| Illinois | 2,282 | 32,930 | 2,932 | 5,766 | 310,235 | 100,908 |
| Indiana | 421 | 10,867 | 726 | 2,289 | 81,122 | 33,317 |
| Iowa | 459 | 5,627 | 204 | 873 | 52,476 | 17,267 |
| Kansas | 371 | 17,685 | 229 | 922 | 46,252 | 20,085 |
| Kentucky | 274 | 6,414 | 1,266 | 785 | 28,525 | 67,121 |
| Louisiana | 283 | 23,250 | 280 | 2,562 | 45,451 | 45,906 |
| Maine | 65 | 2,044 | 111 | 285 | 6,559 | 9,115 |
| Maryland | 311 | 6,401 | 468 | 6,587 | 37,516 | 41,337 |
| Massachusetts | 1,106 | 9,405 | 1,322 | 6,029 | 44,354 | 63,150 |
| Michigan | 709 | 27,133 | 728 | 3,574 | 97,542 | 57,729 |
| Minnesota | 308 | 21,075 | 510 | 3,399 | 109,671 | 35,385 |
| Mississippi | 182 | 4,608 | 459 | 890 | 30,306 | 19,071 |
| Missouri | 442 | 24,020 | 4,366 | 2,550 | 103,882 | 45,362 |
| Montana | 58 | 2,991 | 63 | 75 | 7,193 | 4,996 |
| Nebraska | 200 | 4,823 | 171 | 249 | 37,056 | 16,673 |
| Nevada | 98 | 6,113 | 558 | 399 | 9,795 | 8,452 |
| New Hampshire | 101 | 2,209 | 153 | 458 | 10,506 | 7,494 |
| New Jersey | 1,138 | 25,532 | 848 | 4,493 | 67,038 | 80,943 |
| New Mexico | 84 | 4,444 | 194 | 920 | 11,293 | 13,025 |
| New York | 2,316 | 49,571 | 1,927 | 19,640 | 310,916 | 161,896 |
| North Carolina | 347 | 15,589 | 646 | 5,673 | 51,906 | 49,345 |
| North Dakota | 50 | 2,059 | 36 | 88 | 18,792 | 2,800 |
| Ohio | 1,059 | 22,856 | 1,513 | 4,257 | 108,047 | 74,480 |
| Oklahoma | 374 | 10,797 | 456 | 662 | 42,971 | 29,090 |
| Oregon | 270 | 12,352 | 1,201 | 2,152 | 21,358 | 15,948 |
| Pennsylvania | 952 | 22,573 | 836 | 4,758 | 110,999 | 100,966 |
| Rhode Island | 81 | 1,319 | 157 | 683 | 9,807 | 6,274 |
| South Carolina | 173 | 5,002 | 1,691 | 799 | 22,829 | 32,745 |
| South Dakota | 63 | 1,605 | 29 | 145 | 18,392 | 1,458 |
| Tennessee | 248 | 9,900 | 1,769 | 2,796 | 58,773 | 44,382 |
| Texas | 1,612 | 74,040 | 1,099 | 7,387 | 205,445 | 193,537 |
| Utah | 89 | 6,853 | 438 | 279 | 25,808 | 9,222 |
| Vermont | 41 | 1,423 | 48 | 136 | 3,692 | 3,318 |
| Virginia | 462 | 9,940 | 757 | 3,302 | 49,790 | 56,427 |
| Washington | 525 | 21,753 | 2,973 | 634 | 29,060 | 43,104 |
| West Virginia | 280 | 2,527 | 42 | 324 | 16,586 | 9,076 |
| Wisconsin | 559 | 10,124 | 283 | 1,948 | 117,870 | 41,085 |
| Wyoming | 34 | 2,209 | 80 | 173 | 4,658 | 1,776 |
| Totals | $25,330 | $803,721 | $203,167 | $137,816 | $3,118,644 | $2,259,090 |

Source: A. M. Best Company, Inc., Best's Executive Data Service

## Premium Taxes

Insurance companies—including life, health and property/casualty companies—paid more than $4.53 billion in premium taxes to the 50 states and the District of Columbia in 1985—an increase of about 14 percent over the 1984 total. Approximately 47 percent of this amount was paid by property/casualty companies.

Premium taxes are taxes imposed on gross premiums or adjusted gross premiums, and as such amount to an additional form of taxation on policyholders. Additional payments are made to states for licenses and fees, property taxes, sales and use taxes, unemployment compensation taxes, and in a few states, income and franchise taxes. Premium taxes accounted for about 2.1 percent of all taxes collected by the states during 1985.

The Bureau of the Census said the broad category of sales and gross receipts taxes was by far the largest source of state tax revenue in fiscal 1985, accounting for 48.8 percent of all state tax collections in that year. Individual income taxes, at 30 percent, were the second largest source.

### Premium Taxes by State, 1985

| | | | |
|---|---|---|---|
| Alabama | $ 90,046,000 | Missouri | $ 99,088,000 |
| Alaska | 17,557,000 | Montana | 20,798,000 |
| Arizona | 55,436,000 | Nebraska | 29,540,000 |
| Arkansas | 40,181,000 | Nevada | 28,420,000 |
| California | 654,557,000 | New Hampshire | 19,080,000 |
| Colorado | 43,647,000 | New Jersey | 102,004,000 |
| Connecticut | 92,840,000 | New Mexico | 42,297,000 |
| Delaware | 17,378,000 | New York | 292,962,000 |
| District of Columbia | 21,100,000 | North Carolina | 115,030,000 |
| Florida | 187,634,000 | North Dakota | 12,635,000 |
| Georgia | 91,310,000 | Ohio | 170,805,000 |
| Hawaii | 29,417,000 | Oklahoma | 97,681,000 |
| Idaho | 20,546,000 | Oregon | 41,414,000 |
| Illinois | 116,027,000 | Pennsylvania | 204,758,000 |
| Indiana | 70,558,000 | Rhode Island | 17,308,000 |
| Iowa | 55,632,000 | South Carolina | 42,438,000 |
| Kansas | 73,666,000 | South Dakota | 16,279,000 |
| Kentucky | 107,457,000 | Tennessee | 90,994,000 |
| Louisiana | 124,311,000 | Texas | 378,649,000 |
| Maine | 19,023,000 | Utah | 26,554,000 |
| Maryland | 82,248,000 | Vermont | 8,853,000 |
| Massachusetts | 163,684,000 | Virginia | 108,633,000 |
| Michigan | 116,994,000 | Washington | 61,396,000 |
| Minnesota | 76,525,000 | West Virginia | 44,092,000 |
| Mississippi | 54,084,000 | Wisconsin | 53,315,000 |
| | | Wyoming | 8,192,000 |
| | | Total | $4,533,973,000 |

Source: Bureau of the Census, U.S. Department of Commerce.

## Insurance Guaranty Funds

All 50 states, the District of Columbia and Puerto Rico have established procedures under which solvent property and casualty insurance companies absorb losses of claimants against insolvent insurers. New York for many years has had a pre-assessment fund law which requires the permanent maintenance of an insolvency fund (to which companies contribute) with a statutory $200 million ceiling. The other jurisdictions have set up insurance guaranty associations through which solvent companies pay assessments as needed, on a proportionate basis.

From the inception of the post-assessment funds in 1969 through December 1985, the associations have collected $871,943,276 from insurers to cover 125 property and casualty insurance company insolvencies, including a record 21 in 1985. Of that total, about $155.8 million has been refunded to the companies.

The figures do not include assessments made under New York's pre-assessment insolvency fund nor payments made by individual companies under the insolvency provision of the uninsured motorist endorsement to auto insurance policies. They also do not take into consideration recoupments available in some states through premium tax offsets and policyholder surcharges.

### Guaranty Fund Assessments by State, 1969-1985 (000 omitted)

| State | Amount Collected | Amount Refunded | Net Assessments | State | Amount Collected | Amount Refunded | Net Assessments |
|---|---|---|---|---|---|---|---|
| Ala. | $11,803 | $ 0 | $ 11,803 | Neb. | $ 7,466 | $ 4,745 | $ 2,720 |
| Alaska | 2,359 | 1,147 | 1,212 | Nev. | 7,158 | 1,908 | 5,249 |
| Ariz. | 3,553 | 0 | 3,553 | N. H. | 3,272 | 316 | 2,957 |
| Ark. | 9,595 | 0 | 9,595 | N. J. | 17,097 | 12,479 | 4,619 |
| Calif. | 185,858 | 41,779 | 144,079 | N. M. | 1,595 | 0 | 1,595 |
| Colo. | 5,399 | 1,207 | 4,191 | N. Y. | * | * | * |
| Conn. | 5,384 | 3,431 | 1,952 | N. C. | 5,157 | 709 | 4,448 |
| Del. | 4,194 | 0 | 4,194 | N. D. | 302 | 0 | 302 |
| D.C. | 1,672 | 81 | 1,591 | Ohio | 22,860 | 5,878 | 16,982 |
| Fla. | 158,760 | 6,876 | 151,884 | Okla. | 13,602 | 0 | 13,602 |
| Ga. | 18,585 | 4,834 | 13,750 | Ore. | 12,332 | 0 | 12,332 |
| Hawaii | 20,605 | 500 | 20,105 | Pa. | 39,175 | 7,301 | 31,874 |
| Idaho | 3,908 | 46 | 3,861 | P. R. | 37,680 | 15,703 | 21,976 |
| Ill. | 36,953 | 6,963 | 29,990 | R. I. | 2,761 | 1,091 | 1,670 |
| Ind. | 3,740 | 1,245 | 2,495 | S. C. | 3,637 | 782 | 2,854 |
| Iowa | 6,194 | 525 | 5,668 | S. D. | 167 | 0 | 167 |
| Kan. | 2,837 | 72 | 2,764 | Tenn. | 850 | 280 | 570 |
| Ky. | 9,223 | 662 | 8,560 | Texas | 30,442 | 0 | 30,442 |
| La. | 11,331 | 3,500 | 7,831 | Utah | 120 | 0 | 120 |
| Maine | 2,154 | 110 | 2,044 | Vt. | 2,931 | 0 | 2,931 |
| Md. | 16,402 | 1,090 | 15,311 | Va. | 7,398 | 0 | 7,398 |
| Mass. | 30,064 | 10,187 | 19,877 | Wash. | 5,667 | 292 | 5,375 |
| Mich. | 30,011 | 8,492 | 21,519 | W. Va. | 4,884 | 782 | 4,102 |
| Minn. | 36,771 | 6,030 | 30,741 | Wis. | 11,425 | 2,999 | 8,425 |
| Miss. | 4,392 | 587 | 3,806 | Wyo. | 1,910 | 41 | 1,869 |
| Mo. | 7,223 | 849 | 6,373 | Total | $871,943 | $155,779 | $716,164 |
| Mont. | 3,089 | 258 | 2,831 | | | | |

*New York has a pre-assessment fund.

Source: National Committee on Insurance Guaranty Funds.

# 3. Shared Markets

## The Automobile Shared Market

The insurance industry has established mechanisms in every state to provide automobile insurance for drivers who, for whatever reason, are unable to obtain coverage in the voluntary market. The first of the shared market mechanisms was established in New Hampshire in 1938. Today, all 50 states and the District of Columbia use one of four systems to guarantee the availability of auto insurance.

- Automobile Insurance Plan—Auto insurance applicants unable to obtain coverage in the competitive market are distributed to insurance companies in proportion to the amount of business each insurer writes voluntarily in the state. Each insurer services the policyholders as it services other customers.
- Joint Underwriting Association—JUAs are pooling mechanisms where all companies share in the profits and losses as well as expenses incurred. Agents submit applications to several companies which have agreed to issue and service policies.
- Reinsurance Facility—Under this pooling system, each auto insurer is required to provide coverage and service the claims for any applicant, but is permitted to transfer a percentage of its policies to the facility. Profits or losses are shared by all insurers licensed in the state.
- State Fund—Maryland established a state funded mechanism in 1973. Private insurers don't participate directly in the Maryland Automobile Insurance Fund, but are required by law to subsidize any losses from the operation, with the cost being charged back against their own policyholders.

Data provided by the Automobile Plans Service Office (AIPSO) reflect an increase of 15.3 percent from 1984 to 1985 in the number of cars insured through the various shared market mechanisms countrywide. The number of cars insured through the plans had declined in both 1983 and 1984.

The individual plans of 29 jurisdictions reported increases in the number of vehicles insured in 1985. States with the greatest numbers of private passenger cars insured through the shared market facilities in 1985 were New Jersey, with more than 1.6 million, and Massachusetts, with nearly 1.56 million. No other state plan insured as many as a million vehicles.

State by state data are tabulated on the next page.

## Private Passenger Cars Insured Through the Shared Market Mechanisms (Written Car Years), 1984–1985

| State | Insured in Shared Market, 1985 | Insured in Shared Market, 1984 | % Change 1984-85 |
|---|---|---|---|
| Alabama | 3,769 | 4,961 | – 24.0% |
| Alaska | 3,070 | 1,150 | + 167.0 |
| Arizona | 111 | 112 | – 1.0 |
| Arkansas | 1,635 | 1,842 | – 11.2 |
| California | 355,875 | 157,445 | + 126.0 |
| Colorado | 220 | 321 | – 31.5 |
| Connecticut | 118,777 | 106.592 | + 11.4 |
| Delaware | 12,535 | 11,902 | + 5.3 |
| District of Columbia | 21,545 | 4,992 | + 331.6 |
| Florida | 36,462 | 50,528 | – 27.5 |
| Georgia | 11,970 | 12,988 | – 7.8 |
| Hawaii | 7,774 | 7,806 | – .4 |
| Idaho | 307 | 221 | + 38.9 |
| Illinois | 2,613 | 2,394 | + 9.1 |
| Indiana | 967 | 675 | + 43.3 |
| Iowa | 548 | 611 | – 10.3 |
| Kansas | 13,038 | 16,581 | – 21.4 |
| Kentucky | 31,353 | 19,637 | + 59.7 |
| Louisiana | 12,129 | 18,177 | – 33.3 |
| Maine | 6,081 | 4,281 | + 42.0 |
| Maryland | 68,666 | 43,319 | + 58.5 |
| Massachusetts | 1,557,967* | 1,340,241 | + 16.2 |
| Michigan | 149,160 | 105,492 | + 41.4 |
| Minnesota | 2,864 | 3,412 | – 16.1 |
| Mississippi | 6,826 | 7,037 | – 3.0 |
| Missouri | 2,790 | 2,322 | + 20.2 |
| Montana | 202 | 180 | + 12.2 |
| Nebraska | 318 | 308 | + 3.2 |
| Nevada | 135 | 144 | – 6.3 |
| New Hampshire | 112,000* | 109,966 | + 1.8 |
| New Jersey | 1,638,367 | 1.426,237 | + 14.9 |
| New Mexico | 622 | 957 | – 35.0 |
| New York | 938,780 | 814,616 | + 15.2 |
| North Carolina | 865,000* | 782,740 | + 10.5 |
| North Dakota | 226 | 302 | – 25.2 |
| Ohio | 478 | 528 | – 9.5 |
| Oklahoma | 5,332 | 2,875 | + 85.5 |
| Oregon | 596 | 255 | + 133.7 |
| Pennsylvania | 88,834 | 86,644 | + 2.5 |
| Rhode Island | 37,068 | 30,062 | + 23.3 |
| South Carolina | 484,323 | 453,013 | + 6.9 |
| South Dakota | 390 | 438 | – 11.0 |
| Tennessee | 12,402 | 12,194 | + 1.7 |
| Texas | 183,747 | 245,751 | – 25.2 |
| Utah | 15 | 29 | – 48.3 |
| Vermont | 3,061 | 3,746 | – 18.3 |
| Virgin Islands | 3,413 | 4,437 | – 23.1 |
| Virginia | 79,435 | 69,103 | + 15.0 |
| Washington | 3,629 | 3,405 | + 6.6 |
| West Virginia | 3,700 | 3,398 | + 8.9 |
| Wisconsin | 855 | 968 | – 11.7 |
| Wyoming | 262 | 419 | – 37.5 |
| Countrywide | 6,892,242 | 5,977,484 | + 15.3% |

*Estimated.

Source: Automobile Insurance Plans Service Office (data for Maryland, Massachusetts and Texas provided by shared market facilities in those states).

## Insurance Through FAIR and Windstorm Plans

A "firming" of the standard insurance market was held to be largely responsible for an increase in 1985 — the first since 1980 — in the number of policies issued through the special Fair Access to Insurance Requirements (FAIR) Plans which provide insurance to many property owners in inner city and other high risk areas in 26 states, the District of Columbia and Puerto Rico. The insurance industry-operated plans first came into existence in the 1960s to make property insurance coverages more readily available to property owners who often had difficulty obtaining insurance because of abnormal exposure to threatening hazards over which they had no control.

The Property Insurance Plans Service Office (PIPSO), which provides administrative services to the plans, reported that the 27 jurisdictions from which data were available issued 733,100 policies in 1985, about 3 percent more than in the preceding year. New applicants accounted for 25.4 percent of the policies issued.

While full year-end data were not available, PIPSO said a comparison of the plans' experience for the first nine months of 1984 and 1985 indicated that the increase was primarily applicable to the commercial classes of business, at which the firming of the voluntary market has been mainly directed. PIPSO said the nine-month comparison reflected an 82.5 percent increase in written premiums for commercial business and a 15.4 percent increase for residential business.

At the end of 1985, the 27 plans were providing about $35.3 billion of coverage.

Beach and windstorm plans, which operate in seven states along the Atlantic and Gulf Coasts where vulnerability to severe windstorm damage is especially high, also reported increased activity in 1985. The number of policies issued was up about 7.9 percent, and the $9.9 billion of insurance in force at year end was more than 26 percent greater than the total at the end of 1984.

### Insurance Provided by FAIR Plans

| Jurisdiction | Applications, 1985 |  | Binders or Policies Issued, 1985 |  | Insurance in Force 12/31/85 (000 omitted) |
|---|---|---|---|---|---|
|  | New | Renewal | New | Renewal |  |
| California | 63,928 | 86,098 | 21,405 | 84,891 | $12,408,682 |
| Connecticut | 3,322 | 4,103 | 1,362 | 3,635 | 366,879 |
| Delaware | 1,293 | 2,323 | 659 | 1,775 | 56,080 |
| District of Columbia | 2,700 | 4,938 | 976 | 4,773 | 396,696 |
| Georgia | 4,492 | 3,410 | 2,111 | 3,041 | 213,094 |
| Illinois | 12,392 | 26,813 | 3,447 | 18,754 | 729,756 |
| Indiana | 1,072 | 2,019 | 466 | 1,720 | 92,191 |
| Iowa | 736 | 696 | 384 | 692 | 26,915 |
| Kansas | 5,804 | 6,145 | 3,713 | 6,248 | 214,772 |
| Kentucky | 13,853 | 0 | 8,817 | 8,984 | 372,160 |

| Jurisdiction | Applications, 1985 |  | Binders or Policies Issued, 1985 |  | Insurance in Force 12/31/85 (000 omitted) |
|---|---|---|---|---|---|
|  | New | Renewal | New | Renewal |  |
| Louisiana | 1,292 | 1,706 | 345 | 1,618 | $281.656 |
| Maryland | 7,358 | 11,761 | 2,491 | 10,749 | 296,837 |
| Massachusetts | 24,975 | 52,160 | 14,876 | 46,281 | 2,106,043 |
| Michigan | 55,211 | 139,857 | 50,001 | 112,889 | 6,881,074 |
| Minnesota | 1,196 | 746 | 761 | 813 | 78,685 |
| Missouri | 18,890 | 21,218 | 6,132 | 19,203 | 501,946 |
| New Jersey | 22,781 | 52,819 | 14,751 | 45,290 | 3,026,090 |
| New Mexico | 1,766 | 1,722 | 1,758 | 1,722 | 159,067 |
| New York | 27,309 | 71,908 | 18,967 | 71,908 | 3,727,511 |
| North Carolina | 4,519 | 8,214 | 2.100 | 7,625 | 291,220 |
| Ohio | 7,587 | 12,782 | 4,950 | 12,710 | 299,306 |
| Oregon | 1,517 | 2,389 | 943 | 2,389 | 124,076 |
| Pennsylvania | 27,893 | 74,803 | 15,914 | 58,230 | 1,764,386 |
| Puerto Rico | * | * | * | * | * |
| Rhode Island | 4,534 | 8,512 | 3,207 | 7,529 | 293,146 |
| Virginia | 7,502 | 9,615 | 3,630 | 8,196 | 328,054 |
| Washington | 239 | 483 | 108 | 467 | 55,831 |
| Wisconsin | 6,911 | 7,018 | 2,263 | 4,431 | 168,492 |
| Totals | 331,072 | 614,258 | 186,537 | 546,563 | $35,260,645 |

*Not available.

Source: Property Insurance Plans Service Office.

# Insurance Provided by Beach and Windstorm Plans

| State | Applications, 1985 |  | Binders or Policies Issued, 1985 |  | Insurance in Force 12/31/85 (000 omitted) |
|---|---|---|---|---|---|
|  | New | Renewal | New | Renewal |  |
| Alabama | 904 | 2,168 | 753 | 2,168 | $ 921,191 |
| Florida | 13,705 | 34,172 | 11,372 | 34,172 | 3,471,043 |
| Louisiana | 1,926 | 4,907 | 1,406 | 5,765 | 180,773 |
| Misissippi | 2,583 | 4,286 | 2,245 | 4,239 | 274,956 |
| North Carolina | 3,246 | 5,480 | 2,352 | 5,090 | 570,762 |
| South Carolina | 1,226 | 3,634 | 1,126 | 3,532 | 560,590 |
| Texas | 53,149 | + | 41,991 | + | 3,967,353 |
| Totals | 76,739 | 54,647 | 61,245 | 54,966 | $9,946,668 |

+ Included with New.

Source: Property Insurance Plans Service Office.

# 4. Government Insurance Programs

## Flood Insurance in the United States

Insurance against flood and mudslide losses is available to property owners in participating communities in every state, the District of Columbia, Puerto Rico, Guam and the Virgin Islands under a program established by the National Flood Insurance Act of 1968 and strengthened by the Flood Disaster Protection Act of 1973. The National Flood Insurance Program (NFIP) was developed jointly by the insurance business and the Federal Insurance Administration (FIA). Administered by the FIA for several years, the program was opened to private insurers in October 1983 under a procedure providing for government reimbursement of losses not covered by premiums and income derived from the investment of those premiums.

In 1985, some 250 insurers were participating in the arrangement, known as the "Write Your Own" program.

As a result of the Write Your Own program, the number of policies issued directly by the government declined in the 12 months from Dec. 31, 1984 to Dec. 31, 1985 from 1,680,952 to 1,361,855, and the amount of coverage in force under those policies dropped from $106.1 billion to $88.8 billion. At the same time, the number of Write Your Own policies increased from 174,184 to 586,201 and the amount of insurance in force under those policies jumped from $13.1 billion to $46.3 billion.

More than 20,000 communities have identified special flood hazard areas, and nearly 18,000 of them have qualified for the coverage by agreeing to take steps to minimize future flood damage. Flood insurance is available only in participating communities, and the failure of flood-prone communities to participate has significant impact on the availability of funds for certain mortgages.

The table below shows the total amount of flood insurance provided in 1985 through the government and the private insurance programs in each jurisdiction, and the amount provided through each program countrywide.

### Flood Insurance in the United States, 1985*

| State | Communities | Policies in Force | | | Insurance in Force (000 omitted) | | |
|---|---|---|---|---|---|---|---|
| | | Dwelling | Business and Other | Total | Dwelling | Business and Other | Total** |
| Alabama | 264 | 13,162 | 2,785 | 15,947 | $ 672,319 | $ 267,158 | $ 939,477 |
| Alaska | 20 | 3,229 | 203 | 3,432 | 199,863 | 20,444 | 220,307 |
| Arizona | 87 | 19,931 | 2,123 | 22,054 | 1,110,813 | 218,813 | 1,329,626 |
| Arkansas | 324 | 5,683 | 915 | 6,598 | 193,037 | 64,283 | 257,320 |
| California | 429 | 84,751 | 7,950 | 92,701 | 5,499,396 | 808,985 | 6,308,381 |

| State | No. of Communities | Policies in Force | | | Insurance in Force (000 omitted) | | |
|---|---|---|---|---|---|---|---|
| | | Dwelling | Business and Other | Total | Dwelling | Business and Other | Total** |
| Colorado | 216 | 6,795 | 1,648 | 8,443 | $ 367,023 | $ 164,714 | $ 531,737 |
| Connecticut | 180 | 13,511 | 2,632 | 16,143 | 870,692 | 297,230 | 1,167,922 |
| Delaware | 43 | 5,251 | 669 | 5,920 | 436,445 | 86,083 | 522,528 |
| District of Columbia | 1 | 11 | 24 | 35 | 410 | 2,024 | 2,434 |
| Florida | 358 | 534,482 | 104,087 | 638,569 | 39,572,435 | 9,411,309 | 48,983,744 |
| Georgia | 304 | 16,261 | 1,231 | 17,492 | 1,068,222 | 121,675 | 1,189,898 |
| Hawaii | 4 | 5,634 | 1,941 | 7,575 | 480,742 | 260,907 | 741,650 |
| Idaho | 145 | 1,575 | 193 | 1,768 | 67,987 | 16,757 | 84,744 |
| Illinois | 728 | 20,391 | 2,486 | 22,877 | 759,660 | 163,610 | 923,270 |
| Indiana | 347 | 10,959 | 828 | 11,787 | 358,051 | 55,267 | 413,318 |
| Iowa | 363 | 4,210 | 578 | 4,788 | 126,208 | 45,652 | 171,860 |
| Kansas | 304 | 6,205 | 799 | 7,004 | 195,845 | 58,517 | 254,362 |
| Kentucky | 246 | 13,297 | 2,743 | 16,040 | 452,585 | 213,798 | 666,383 |
| Louisiana | 267 | 224,061 | 19,020 | 243,081 | 14,293,990 | 1,935,299 | 16,229,290 |
| Maine | 942 | 3,838 | 872 | 4,710 | 159,944 | 54,430 | 214,374 |
| Maryland | 110 | 15,601 | 3,265 | 18,866 | 889,033 | 425,959 | 1,314,992 |
| Massachusetts | 320 | 21,008 | 3,043 | 24,051 | 1,111,529 | 315,494 | 1,427,023 |
| Michigan | 545 | 11,371 | 1,030 | 12,401 | 439,308 | 77,378 | 516,686 |
| Minnesota | 461 | 4,790 | 736 | 5,526 | 170,706 | 68,676 | 239,382 |
| Mississippi | 262 | 31,375 | 4,552 | 35,927 | 1,545,506 | 417,369 | 1,962,875 |
| Missouri | 479 | 12,284 | 2,569 | 14,853 | 372,703 | 194,569 | 567,272 |
| Montana | 99 | 1,490 | 144 | 1,634 | 59,033 | 7,770 | 66,804 |
| Nebraska | 271 | 7,045 | 643 | 7,688 | 262,406 | 52,091 | 314,497 |
| Nevada | 28 | 5,327 | 363 | 5,690 | 233,627 | 30,139 | 263,766 |
| New Hampshire | 165 | 2,138 | 523 | 2,661 | 77,224 | 39,049 | 116,273 |
| New Jersey | 539 | 90,230 | 10,534 | 100,764 | 6,249,424 | 1,097,962 | 7,347,386 |
| New Mexico | 70 | 4,072 | 304 | 4,376 | 154,937 | 29,207 | 184,144 |
| New York | 1,462 | 54,042 | 6,070 | 60,112 | 3,024,358 | 484,957 | 3,509,314 |
| North Carolina | 316 | 27,380 | 3,973 | 31,353 | 1,628,070 | 378,650 | 2,006,719 |
| North Dakota | 229 | 4,788 | 388 | 5,176 | 165,936 | 25,973 | 191,909 |
| Ohio | 664 | 11,875 | 2,692 | 14,567 | 384,126 | 165,504 | 549,630 |
| Oklahoma | 323 | 9,065 | 1,516 | 10,581 | 514,805 | 140,119 | 654,925 |
| Oregon | 254 | 4,985 | 792 | 5,777 | 239,563 | 67,624 | 307,187 |
| Pennsylvania | 2,446 | 48,119 | 12,207 | 60,326 | 1,565,460 | 981,712 | 2,547,172 |
| Rhode Island | 38 | 6,042 | 1,156 | 7,198 | 372,490 | 123,997 | 496,487 |
| South Carolina | 167 | 28,782 | 4,118 | 32,900 | 2,544,056 | 468,717 | 3,012,773 |
| South Dakota | 102 | 642 | 172 | 814 | 21,602 | 17,832 | 39,434 |
| Tennessee | 218 | 5,089 | 1,068 | 6,157 | 214,442 | 75,676 | 290,119 |
| Texas | 799 | 227,995 | 25,033 | 253,028 | 19,092,284 | 2,799,752 | 21,892,035 |
| Utah | 180 | 1,689 | 359 | 2,048 | 64,193 | 27,810 | 92,003 |
| Vermont | 215 | 1,507 | 565 | 2,072 | 48,786 | 31,477 | 80,263 |
| Virginia | 251 | 26,711 | 3,659 | 30,370 | 1,828,115 | 413,142 | 2,241,258 |
| Washington | 244 | 8,876 | 1,421 | 10,297 | 454,376 | 131,006 | 585,382 |
| West Virginia | 265 | 10,673 | 2,367 | 13,040 | 301,041 | 150,260 | 451,301 |
| Wisconsin | 483 | 4,872 | 624 | 5,496 | 163,635 | 47,584 | 211,219 |
| Wyoming | 63 | 1,134 | 146 | 1,280 | 54,229 | 11,780 | 66,010 |
| Guam | 1 | 21 | 5 | 26 | 752 | 311 | 1,063 |
| Puerto Rico | 1 | 10,376 | 1,185 | 11,561 | 224,820 | 70,824 | 295,644 |
| Virgin Islands | 1 | 1,210 | 1,266 | 2,476 | 43,470 | 65,495 | 108,965 |
| Countrywide | 17,643 | 1,695,841 | 252,215 | 1,948,056 | $111,401,712 | $23,702,822 | $135,104,534 |
| Coverage provided through: | | | | | | | |
| NFIP | | 1,195,357 | 166,948 | 1,361,855 | $74,251,915 | $14,537,063 | $88,788,978 |
| "WYO" Program | | 500,484 | 85,717 | 586,201 | $37,149,797 | $ 9,165,758 | $46,315,555 |

*Includes both flood insurance provided through the National Flood Insurance Program (as of Jan. 5, 1986) and coverage provided through private insurers' "Write Your Own" program (as of Dec. 31, 1985).

**Some totals do not balance because of rounding.

Source: Federal Insurance Administration, Federal Emergency Management Agency.

## Federal Crime Insurance

The Federal Crime Insurance Program, established by Congress in 1970, began operation Aug. 1, 1971. It is administered by the federal insurance administrator, who is authorized to make federal crime insurance policies available in states in which that official perceives an availability problem. Policies, offered to both individuals and businesses, cover losses due to burglary and robbery.

Private insurers and statistical reporting companies act as servicing agents in participating states. Policies are sold through licensed property insurance agents and brokers.

In 1985, 23 states, the District of Columbia, Puerto Rico and the Virgin Islands were participating in the program.

The Federal Insurance Administration reported that from the end of 1984 to year-end 1985 the number of policies in force decreased about 9 percent from 42,131 to 38,474. The amount of coverage in force declined by 5 percent, from $342.9 million to $325.3 million.

### Federal Crime Insurance, 1985

| | Policies in Force at Year End | | | Insurance in Force at Year End (000) | | |
|---|---|---|---|---|---|---|
| State | Residential | Commercial | Total | Residential | Commercial | Total |
| Alabama | 654 | 28 | 682 | $ 4,869 | $ 154 | $ 5,023 |
| Arkansas | 48 | 12 | 60 | 276 | 73 | 349 |
| California | 1,470 | 465 | 1,935 | 11,426 | 7,064 | 18,490 |
| Colorado | 40 | 29 | 69 | 313 | 214 | 527 |
| Connecticut | 115 | 28 | 143 | 864 | 207 | 1,071 |
| Delaware | 107 | 2 | 109 | 611 | 16 | 627 |
| District of Columbia | 60 | 122 | 182 | 447 | 1,439 | 1,886 |
| Florida | 1,734 | 567 | 2,301 | 14,815 | 7,171 | 21,986 |
| Georgia | 235 | 195 | 430 | 1,684 | 1,811 | 3,495 |
| Illinois | 361 | 340 | 701 | 2,466 | 2,883 | 5,349 |
| Iowa | 5 | 2 | 7 | 36 | 19 | 55 |
| Kansas | 277 | 23 | 300 | 1,428 | 210 | 1,638 |
| Louisiana | 23 | 15 | 38 | 151 | 122 | 273 |
| Maryland | 81 | 142 | 223 | 604 | 1,586 | 2,190 |
| Massachusetts | 812 | 311 | 1,123 | 4,759 | 3,134 | 7,893 |
| Missouri | 725 | 159 | 884 | 4,678 | 1,102 | 5,780 |
| New Jersey | 1,274 | 336 | 1,610 | 9,228 | 4,101 | 13,329 |
| New York | 16,490 | 5,971 | 22,461 | 125,561 | 71,772 | 197,333 |
| North Carolina | 757 | 13 | 770 | 4,915 | 112 | 5,027 |
| Ohio | 249 | 125 | 374 | 1,482 | 1,385 | 2,867 |
| Pennsylvania | 1,809 | 633 | 2,442 | 10,892 | 5,859 | 16,751 |
| Rhode Island | 38 | 22 | 60 | 260 | 147 | 407 |
| Tennessee | 139 | 152 | 291 | 911 | 1,069 | 1,980 |
| Virginia | 87 | 16 | 103 | 521 | 121 | 642 |
| Puerto Rico | 827 | 237 | 1,064 | 6,805 | 2,583 | 9,388 |
| Virgin Islands | 82 | 30 | 112 | 578 | 384 | 962 |
| United States | 28,499 | 9,975 | 38,474 | $210,580 | $114,738 | $325,318 |

Source: Federal Insurance Administration, Crime Insurance Statistical Report.

# 5. Factors Affecting Costs

## Trends in Costs of Goods, Services and Insurance

The cost of insurance is influenced heavily by the costs of the materials and services for which property and casualty insurers must pay in meeting their obligations to their policyholders. Tabulated below and on the following page are indices showing the trends of costs of household and auto insurance and of typical factors which affect insurance claims. The cost of living index for all items rose 3.6 percent from 1984 to 1985.

Except as otherwise noted, all index figures are annual coverages.

### Price Indices for Property Insurance and Related Items and Annual Rates of Change, 1976-1985 (Base: Except as Otherwise Noted, 1967 = 100)

| Year | Cost of Living (all items) |  | Homeowners' Costs* |  | House Maintenance and Repairs |  | Renters' Costs* |  |
|---|---|---|---|---|---|---|---|---|
|  | Index | % Change | Index | % Change | Index | % Change | Index | % Change |
| **1976** | 170.5 |  |  |  | 199.6 |  |  |  |
| **1977** | 181.5 | + 6.5% |  |  | 214.7 | + 7.6% |  |  |
| **1978** | 195.4 | + 7.7 |  |  | 233.0 | + 8.5 |  |  |
| **1979** | 217.4 | + 11.3 |  |  | 256.4 | + 10.0 |  |  |
| **1980** | 246.8 | + 13.5 |  |  | 285.7 | + 11.4 |  |  |
| **1981** | 272.4 | + 10.4 |  |  | 314.4 | + 10.0 |  |  |
| **1982** | 289.1 | + 6.1 |  |  | 334.1 | + 6.3 |  |  |
| **1983** | 298.4 | + 3.2 | 102.5 |  | 346.3 | + 3.7 | 103.0 |  |
| **1984** | 311.1 | + 4.3 | 107.3 | + 4.7% | 359.2 | + 3.7 | 108.6 | + 5.4% |
| **1985** | 322.2 | + 3.6 | 113.1 | + 5.4 | 368.9 | + 2.7 | 115.4 | + 6.3 |
| **% Change, 1976-1985** |  | + 89.0 |  | N.A.*** |  | + 84.8 |  | N.A.*** |

| Year | House Furnishings |  | Private Residential Construction Costs |  | Private Non-residential Construction Costs |  | Household Insurance |  |
|---|---|---|---|---|---|---|---|---|
|  | Index | % Change | Index | % Change | Index | % Change | Index | % Change |
| **1976** | 150.7 |  | 187.1 |  | 198.6 |  |  |  |
| **1977** | 156.5 | + 3.8% | 210.1 | + 12.3% | 211.2 | + 6.3% |  |  |
| **1978** | 154.3 | − 1.4 | 240.9 | + 14.7 | 237.3 | + 12.4 |  |  |
| **1979** | 163.1 | + 5.7 | 273.0 | + 13.3 | 275.5 | + 16.1 |  |  |
| **1980** | 174.2 | + 6.8 | 300.0 | + 9.9 | 310.8 | + 12.8 |  |  |
| **1981** | 185.2 | + 6.3 | 324.2 | + 8.1 | 324.6 | + 4.4 |  |  |
| **1982** | 193.8 | + 4.6 | 331.5 | + 2.3 | 327.0 | + 0.7 |  |  |
| **1983** | 197.5 | + 1.9 | 338.6 | + 2.1 | 330.8 | + 1.2 | 103.2 |  |
| **1984** | 199.1 | + 0.8 | 353.5 | + 4.4 | 342.9 | + 3.7 | 107.5 | + 4.2% |
| **1985** | 200.1 | + 0.5 | ** |  | ** |  | 112.4 | + 4.6 |
| **% Change, 1976-1985** |  | + 32.8 |  | + 103.6 |  | + 73.2 |  | N.A.*** |

*Indexing of Homeowners' Costs, Renters' Costs and Household Insurance was started in 1983 with a base (index value) of 100 as of December 1982. Previously indexed items which have been discontinued include Home Ownership, whose average annual cost had increased by 130.3 percent from 1974 to 1983, and Property Insurance Premiums, whose average annual cost had increased by 139.6 percent from 1974 to 1983.

**Not available.

***Not applicable.

Sources: Construction cost data, compiled by Insurance Information Institute from data provided by the U.S. Department of Commerce, Bureau of the Census; other data, U.S. Department of Labor, Bureau of Labor Statistics.

# Price Indices for Auto Insurance and Related Items and Annual Rates of Change, 1976-1985 (Base: Except as Indicated, 1967 = 100)

| Year | Medical Care Items Index | Medical Care Items % Change | Hospital Rooms Index | Hospital Rooms % Change | Physicians' Fees Index | Physicians' Fees % Change | Auto Repairs and Maintenance* Index | Auto Repairs and Maintenance* % Change |
|---|---|---|---|---|---|---|---|---|
| **1976** | 184.7 | | 268.6 | | 188.5 | | 189.7 | |
| **1977** | 202.4 | + 9.6% | 299.5 | + 11.5% | 206.0 | + 9.3% | 203.7 | + 7.4% |
| **1978** | 219.4 | + 8.4 | 332.4 | + 11.0 | 223.1 | + 8.3 | 220.6 | + 8.3 |
| **1979** | 239.7 | + 9.3 | 370.3 | + 11.4 | 243.6 | + 9.2 | 242.6 | + 10.0 |
| **1980** | 265.9 | + 10.9 | 418.9 | + 13.1 | 269.3 | + 10.6 | 268.3 | + 10.6 |
| **1981** | 294.5 | + 10.8 | 481.1 | + 14.8 | 299.0 | + 11.0 | 293.6 | + 9.4 |
| **1982** | 328.7 | + 11.6 | 566.7 | + 15.7 | 327.1 | + 9.4 | 315.8 | + 7.6 |
| **1983** | 357.3 | + 8.7 | 619.7 | + 11.3 | 352.3 | + 7.7 | 330.0 | + 4.5 |
| **1984** | 379.5 | + 6.2 | 670.9 | + 8.3 | 376.8 | + 7.0 | 341.5 | + 3.5 |
| **1985** | 403.1 | + 6.2 | 710.5 | + 5.9 | 398.8 | + 5.8 | 351.4 | + 2.9 |
| **% Change, 1976-1985** | | + 118.2 | | + 164.5 | | + 111.6 | | + 85.2 |

| Year | Auto Crash Parts Prices** Index | Auto Crash Parts Prices** % Change | Labor Rates, Auto Repairs*** Average Rate | Labor Rates, Auto Repairs*** % Change | Auto Insurance Index | Auto Insurance % Change |
|---|---|---|---|---|---|---|
| **1976** | 100.0 | | $11.45 | | 187.9 | |
| **1977** | 109.3 | + 9.3% | 12.13 | + 5.9% | 210.5 | + 12.0% |
| **1978** | 120.6 | + 10.3 | 13.33 | + 9.9 | 216.6 | + 2.9 |
| **1979** | 133.0 | + 10.3 | 14.63 | + 9.8 | 228.7 | + 5.6 |
| **1980** | 148.1 | + 11.4 | 16.45 | + 12.4 | 247.4 | + 8.2 |
| **1981** | 168.8 | + 14.0 | 17.39 | + 5.7 | 259.0 | + 4.7 |
| **1982** | 188.0 | + 11.4 | 17.82 | + 2.5 | 275.7 | + 6.4 |
| **1983** | 193.6 | + 3.0 | 18.15 | + 1.9 | 302.7 | + 9.8 |
| **1984** | 194.9 | + 0.7 | 18.97 | + 4.5 | 326.3 | + 7.8 |
| **1985** | 190.0 | − 2.5 | 20.07 | + 5.8 | 359.5 | + 10.2 |
| **1986** | 173.3 | − 8.8 | # | | | |
| **% Change, 1976-1985** | | + 73.3## | | + 75.3 | | + 91.3 |

* The cost of auto crash replacement is not reflected in this index, which includes prices for water pump replacement, motor tune-up, automatic transmission repair, front end alignment and chassis lubrication. The trend in the cost of parts commonly used to repair auto crash damage is reflected in the index of auto crash parts prices developed by State Farm Mutual Automobile Insurance Company.

** Base: Jan. 1, 1976 = 100. Index figure for each year is as of Jan. 1.

*** Not computed as an index. Dollar figure for each year is as of Jan. 1.

# 1986 figure not available. Average rate as of July 1985 was 20.53.

## Percent change 1976-1986.

Sources: Auto Crash Parts Prices, State Farm Mutual Automobile Insurance Company; Labor Rates, Auto Repairs, Allstate Insurance Company; other data, U.S. Department of Labor, Bureau of Labor Statistics.

## Personal Injury Lawsuits

The frequency of lawsuits and the average size of court settlements, including jury verdicts, have a significant impact on the cost of liability insurance.

Jury Verdict Research, Inc. (JVR) reported a 15.36 percent increase from 1983 to 1984 in the average size of verdicts awarded in four common injury categories — cervical strain, knee injuries, vertebrae fractures and wrongful deaths of adult males. While the rate of increase was lower than that of 1983 (27.5 percent), JVR noted that from 1975 through 1985 (data were not complete for the latter year) the average increase in award size was 15.23 percent, or nearly double the average yearly increase in the Consumer Price Index over the same period, listed by JVR as 7.8 percent.

For 1984, JVR listed average verdicts of $14,614 in cervical strain cases, $114,006 for knee injuries, $114,791 for vertebrae fractures and $667,620 in wrongful death cases.

JVR also has kept records of million-dollar verdicts since the first one was recorded in 1962. The number of such awards has risen steadily to a record 401 in 1984. The research organization said that of more than 2,000 million-dollar verdicts recorded in its database, product liability suits accounted for the largest number, 493, followed by medical malpractice actions, 367; automobile collisions, 256, and work accidents, 248. More million-dollar verdicts have been rendered in New York than in any other state. JVR said that at least one million-dollar verdict has been reported in every state except New Hampshire and South Dakota.

The JVR data show that the size and number of product liability and medical malpractice cases generally have increased over the years, although there have been upward and downward fluctuations from year to year. From 1975 to 1984, the average annual size of product liability verdicts ranged from a low of $366,081 in 1976 to a high of $1,657,187 in 1978. In 1984, the average product liability verdict was $1,021,956. The average annual size of medical malpractice verdicts ranged from a low of $192,344 in 1976 to a high of $962,258 in 1982 ($666,123 in 1984). JVR noted that fewer than half of such cases result in plaintiffs' verdicts when tried by juries. In all types of liability situations, the overall recovery rate for plaintiffs is 57 percent.

An annual compilation by the Pacific Coast regional office of the Insurance Information Institute tracks product liability and medical malpractice verdicts awarded in California Superior Courts. In product liability cases, the average award in 1984 (the latest year for which data were available) was $776,312, or 17 percent lower than the 1983 average of $939,709. In medical malpractice cases, the average plaintiff award was $396,662 in 1984, significantly lower than the record high of $649,210 in 1983 but higher than the average award in any other previous year.

A more comprehensive reflection of the tendency of Americans to sue is contained in annual state-by-state compilations by the Administrative Office of the U.S. Courts of product liability lawsuits filed in federal courts. Of 13,554 cases filed in fiscal 1985, some 92.3 percent involved personal injuries, 2.9 percent were property damage filings and 4.2 percent were contract actions. The number of product liability filings was 29.4 percent higher than that recorded in the preceding fiscal year.

A state-by-state tabulation of product liability cases filed in federal district courts during the last two fiscal years appears below.

## Product Liability Cases Commenced in Federal District Courts, 1984-1985

| State | Fiscal 1985* | Fiscal 1984* | % Change | State | Fiscal 1985* | Fiscal 1984* | % Change |
|---|---|---|---|---|---|---|---|
| Ala. | 118 | 97 | + 21.6% | Nev. | 42 | 18 | + 33.3% |
| Alaska | 50 | 23 | + 117.4 | N. H. | 71 | 73 | − 2.7 |
| Ariz. | 31 | 39 | − 20.5 | N. J. | 187 | 159 | + 17.6 |
| Ark. | 148 | 126 | + 17.5 | N. M. | 37 | 39 | − 5.1 |
| Calif. | 748 | 451 | + 65.9 | N. Y. | 470 | 422 | + 11.4 |
| Colo. | 94 | 115 | − 18.3 | N. C. | 60 | 59 | + 1.7 |
| Conn. | 184 | 225 | − 18.2 | N. D. | 22 | 18 | + 22.2 |
| Del. | 18 | 8 | + 125.0 | Ohio | 1,018 | 671 | + 51.7 |
| D.C. | 86 | 98 | − 12.2 | Okla. | 239 | 207 | + 15.0 |
| Fla. | 354 | 275 | + 28.7 | Ore. | 77 | 79 | − 2.5 |
| Ga. | 299 | 191 | + 56.5 | Pa. | 908 | 874 | + 3.9 |
| Hawaii | 446 | 163 | + 173.6 | R.I. | 48 | 29 | + 65.5 |
| Idaho | 37 | 40 | + 8.1 | S. C. | 230 | 163 | + 41.1 |
| Ill. | 244 | 294 | − 17.0 | S.D. | 23 | 19 | + 21.1 |
| Ind. | 130 | 128 | + 1.6 | Tenn. | 199 | 178 | + 11.8 |
| Iowa | 65 | 77 | − 15.6 | Texas | 1,485 | 916 | + 62.1 |
| Kan. | 60 | 66 | − 9.1 | Utah | 51 | 49 | + 4.1 |
| Ky. | 102 | 134 | − 23.9 | Vt. | 12 | 22 | − 45.5 |
| La. | 482 | 431 | + 11.8 | Va. | 489 | 186 | + 162.9 |
| Maine | 81 | 122 | − 33.6 | Wash. | 189 | 251 | − 24.7 |
| Md. | 388 | 322 | + 20.5 | W. Va. | 68 | 113 | − 39.8 |
| Mass. | 1,216 | 825 | + 47.4 | Wis. | 82 | 70 | + 17.1 |
| Mich. | 460 | 490 | − 6.1 | Wyo. | 12 | 8 | + 50.0 |
| Minn. | 470 | 328 | + 43.3 | P. R. | 15 | 16 | − 6.3 |
| Miss. | 787 | 713 | + 10.4 | Guam | 1 | 0 | + 100.0 |
| Mo. | 228 | 224 | + 1.8 | N.M.I. | 1 | 0 | + 100.0 |
| Mont. | 107 | 40 | + 167.5 | V.I. | 13 | 13 | N.C. |
| Neb. | 72 | 48 | + 50.0 | Total | 13,554 | 10,745 | + 29.4 |

**Twelve-month period ended June* [illegible]

Source: Prepared by the Insurance Information Institute based on the 1985 Annual Report of the Administrative Office of the U.S. Courts.

## Medical Malpractice Insurance

Medical malpractice insurance, a form of professional liability insurance, is designed to protect physicians, surgeons, dentists and others in the medical profession from the financial consequences of their failure to use due care and the high degree of skill expected of a professional.

In the 1970s, medical malpractice insurance became the focus of widespread public attention because of a proliferation of lawsuits against doctors and other medical practitioners, including hospitals. Today, once again, the medical malpractice insurance system faces a similar crisis.

Both the number and the average size of medical malpractice plaintiff awards have been increasing steadily over the last decade, according to Jury Verdict Research, Inc. (JVR). The number of plaintiff verdicts jumped from 78 in 1975 to 356 in 1984, and the average verdict of more than $666,000 in 1984 was more than three times greater than the 1975 average of just over $220,000. The size of the average verdict reached a high of $962,258 in 1982. The number of medical malpractice awards in excess of $1 million has spiralled from three in 1975 to 70 in 1983 and 71 in 1984, according to JVR.

One major medical malpractice insurer reports that claims increased 57 percent from 1981 to 1985, from 11.3 to 17.8 claims per 100 insured doctors. The average claim cost per doctor jumped by more than 150 percent during that period. In some high risk specialties, such as brain surgery, one claim was filed for every two surgeons in 1985. The sharp rise in the number and cost of claims is forcing insurance companies to raise premiums for doctors by substantial amounts.

According to the American Medical Association (AMA), despite continual increases in malpractice insurance premiums, the gap between premiums paid in and claims paid out continues to widen even though some doctors now are paying as much as 25 percent of their annual income for malpractice insurance. Others, particularly younger practitioners, find themselves unable to pursue preferred specialties because of the high cost of malpractice insurance premiums for those specialties.

Furthermore, in an effort to prevent malpractice suits, many doctors order more tests than they otherwise would. The cost of those tests to patients and insurers is estimated by the AMA to be as high as $17.5 billion annually.

In the 1970s, physicians undertook an aggressive campaign seeking reforms of state laws governing medical malpractice lawsuits. Every state except West Virginia enacted changes of various kinds, although a reform act in New Hampshire subsequently was struck down as unconstitutional by that state's Supreme Court.

Another step taken by physicians in the 1970s was the formation of doctor-owned malpractice insurance companies. Doctor-owned companies now are licensed in 29 states and the District of Columbia. They write about half of all the medical malpractice insurance in the United States.

Since these new companies had not experienced any losses, they initially could charge lower rates — the main reason for their creation. Now they are experiencing problems similar to those of their commercial insurance counterparts and predecessors — having to pay more and larger claims than they had anticipated.

Reasons for the increasing incidence of malpractice claims and the increasing size of awards are not entirely clear, but several contributing factors have been suggested.

In addition to the fact that people generally are more litigious than in the past, the crisis of the 1970s, which was reported extensively by the news media, may have made people more aware of physicians' vulnerability to malpractice suits. Another contributing factor is the deterioration of the traditionally intimate relationships between families and their doctors.

The AMA has been studying the problem, and early in 1985 it released a report recommending a number of legislative changes, including limitations on pain and suffering awards, elimination of punitive damages, limitations on lawyers' contingency fees and mandated structured settlements which are paid in installments over a period of time rather than in one lump sum.

The doctors also recommended that the states establish patient compensation funds to pay for damages in excess of specified amounts as well as laws reducing the statute of limitations to a suggested six or seven years. Pointing out that many lawsuits are disposed of in court as being frivolous or without merit, the AMA also recommended legislation allowing doctors to countersue to recover defense costs.

Legislation to implement some or all of the AMA's recommendations has been passed or is proposed in a number of states and in Congress, and various other solutions to the problems are being considered. Among them are no-fault-type plans designed to eliminate the cost and uncertainty of collecting damages through the courts. Patients injured while undergoing medical treatment would be assured of receiving compensation for medical bills and wages lost during the injury period, but in return for that assurance they generally would give up the right to sue for non-economic losses such as "pain and suffering."

## The Civil Justice System

Many experts believe the American civil justice system is in urgent need of reform. These advocates include such eminent individuals as former Chief Justice Warren E. Burger, former Attorneys General William French Smith and Griffin Bell, and Derek Bok, president of Harvard University and former dean of the Harvard Law School.

In describing the problems of the system, Chief Justice Burger has pointed to "the high cost of legal services and the slow pace of justice." He sees the process of going to trial as "not only stressful and frustrating, but expensive and frequently unrewarding for litigants."

A primary basis for these criticisms of the legal process is the growing number of lawsuits, especially unnecessarily prolonged lawsuits, flooding the system. In the words of the Chief Justice, the nation is plagued "with an almost irrational focus — virtually a mania — on litigation as a way to solve all problems." As long as the civil justice system continues to encourage people to sue rather than to settle grievances out of court, more lawsuits are inevitable, along with lengthy delays and increased costs to the parties in dispute and to society as a whole.

### Growth of Lawsuits

In our generation, the volume of lawsuits has grown at a rapid rate. Disputes which in the past would have been settled within a community or within a family now are put before the bench. In 1982, 206,000 civil cases were filed in federal district courts. Contrasted with a mere 35,000 filed in 1940, that number represents a sixfold increase.

Nor has this influx of lawsuits spared state courts, which hear more than 98 percent of all civil suits. From 1977 to 1981, state courts recorded a 22 percent increase in the number of civil suits filed, while appeals in the state courts jumped 32 percent during the same period. According to the Rand Institute for Civil Justice, from 1981 to 1984, tort suits filed in state courts increased at an average annual rate of 3.9 percent, more than four times the rate of increase in population.

### Changing Legal Doctrines

In general, the increase in lawsuits is a product of the vast social upheavals society has undergone during the last century. New developments in science and technology have led to countless benefits, but also to new hazards and to an increase in both the frequency and the severity of accidents, including some of an unprecedented nature. The courts have used their resources to move the law toward addressing these sweeping changes.

Increasingly, the courtroom is used as a forum for deciding who, if anyone, will pay. As civil suits have grown more complex, determining precise fault has become more difficult. Consequently, the courts have adjusted legal doctrine so that fault plays a much less important role today than it did previously in establishing responsibility for wrongdoing. Years ago, to collect damages in a lawsuit, an injured party had to prove that the other party was at fault. Today, the tendency is to place emphasis on providing injured persons with some form of redress, regardless of blame. Ability to pay sometimes becomes more crucial than who is at fault, and the burden of paying usually falls on corporations or wealthy individuals, or those with "deep pockets."

The courts also have expanded their definitions of enforceable rights. Legal doctrines have been refined to create new areas of liability. Where consumers were once cautioned, "buyer beware," today's purchases are almost always covered by warranty. Where once governments were protected from suits by the doctrine of "sovereign immunity," today cities and towns are constantly having to defend themselves in court.

## Rising Compensation Awards

The lure of compensation awards in civil suits often is cited as a major contributor to increased litigation. Studies show that the number and amounts of these awards are growing at a rapid rate. The number of million-dollar verdicts awarded each year in the United States soared from one in 1962 to 401 in 1984, according to Jury Verdict Research, Inc., an independent statistical analysis company. The average award reported by Jury Verdict Research has been increasing at twice the rate of inflation.

While the purpose of an award in a civil suit is to compensate the injured party for the wrong committed, other influences besides compensation can boost considerably the amount of an award. Among the most prominent are punitive damages and attorneys' contingency fees.

**Jury trials.** In studying the jury effect on civil suit awards, the Institute for Civil Justice found that civil juries are facing increasingly complex cases.

The Institute examined more than 9,000 civil jury trials in Cook County, Ill., during the 1970s and 1980s. It found that complex cases have made damage assessment a much more difficult task for juries. The study also tracked the size of awards during the two decades. While the average jury award doubled, the highest awards — the top 10 percent — grew at an even faster rate.

**Punitive Damages.** People who bring suits may ask for punitive damages in addition to compensation. Intended to punish a defendant's wrongful conduct, punitive damages can amount to millions of dollars. The prospect of receiving a big bonus often brings cases into court that otherwise could be settled without the benefit of judge or jury, especially if the dispute is relatively minor.

Many persons who are concerned about the civil justice system oppose awarding punitive damages. They argue that the purpose of the civil law is to compensate injured parties, not to punish wrongdoers. If wrongs have been committed, some contend, then punishment is the province of criminal law, not civil law. Others say punitive damages belong within the domain of civil law, but that the fully compensated winning party should not be the beneficiary. Rather, they say, the punitive award should go to the state or to charity.

### The Growth in Lawsuit Delays

Compounding the growth in the volume of lawsuits is a similar growth in the length of lawsuits, and the result is backlog and delay. Just a few decades ago, the protracted lawsuit was a rarity. Today, cases have grown exceedingly complex, and their disposition often takes months and even years. In 1950, only 20 civil trials in federal courts lasted longer than 20 days. By 1981, the number of comparably lengthy trials had multiplied ninefold. In some state courts, delays amount to several years.

In some civil cases tried before a jury, the chances of delay increase. Jury selection inherently is a laborious process, and lawyers often use it as a tactic for improving their clients' chances of winning. Ultimately, this tactic stalls the progress not only of that suit but of every other suit lined up after it on the docket. As a Wall Street Journal editorial noted: "Cases are often lengthened by lawyers' attempt to find, not necessarily fair but, favorable juries."

### Uncertainty of Legal Outcomes

In the face of these rapid changes in legal doctrines and a heavy caseload, the civil justice system has offered little guidance to citizens about the extent of their rights and responsibilities. Property owners, workers, manufacturers, consumers, doctors, lawyers, government officials and taxpayers often are in the dark about the current status of the law.

A study of the California civil justice system found that rapid shifts in legal doctrine were making it difficult to predict legal outcomes:

"The net result was symbolized by 39 major changes in legal doctrine in the course of 18 years. . . By 1977, when several important reversals of direction occurred, even the most practiced professional was often deeply confused as to what the tort law was, what liability is created, and how that liability could be reduced or insured against."

Particularly affected by this lack of predictability are companies developing new products and services. These companies often have little idea of what strategies they can pursue free from the threat of litigation. As a result, businesses may end up foregoing innovative strategies in favor of safer, risk-free choices.

### Improving the System

Efforts to improve the administration of justice in the civil arena have focused on two main themes:

- Alternative dispute resolution mechanisms (ADRs). These mechanisms include arbitration, where disputants agree to be bound by the decision of an independent third party, and mediation, where a third party is used to try to arrange a settlement between the contending parties, without resorting to litigation.
- Tort reform. Reforms in the tort system have been proposed over many years. Some have been implemented and have helped alleviate some of the difficulties in the civil justice system.

The table on Page 60 shows the status of tort reform legislation enacted in 1986 up to August 5. An explanation of the terms which appear as column headings in the table follows.

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### Explanation of Tort Reform Provisions

**Collateral Source Rule:** Refers to a rule of evidence that bars the introduction of any indication that a person has been compensated or reimbursed by any source other than the defendant. Approaches taken by modifying legislation include: permitting consideration of compensation or payments received from some or all collateral sources; requiring that any award be offset by the amount of collateral source payments; allowing the defendant to introduce evidence of compensation to the plaintiff from collateral sources. The jury is instructed to reduce any award for economic loss accordingly.

**Joint & Several Liability:** A rule under which defendants only minimally responsible for any injury may be required to pay the full amount of the damages. Reform measures may completely eliminate this rule or modify it. Modification may limit the rule's application in some way. For example, many states now forbid application of the rule to non-economic damages such as pain and suffering. The measure may apply to all tort actions or only to one specific type of case such as medical malpractice or municipal liability.

**Caps on Recovery:** In some states, laws limit the liability of defendants in liability suits in one of several ways: by limiting recovery of a particular type of damages (usually non-economic damages such as pain and suffering), by limiting the total amount of damages recoverable, or by placing an absolute cap on liability. Reform measures may apply to all tort suits or only to specific types.

**Contingent Fee Regulation:** The most common arrangement for payment of plaintiff attorneys' fees in liability cases is the "contingency fee." Under this arrangement, the attorney receives as a fee an agreed-upon percentage (commonly 30 percent to 50 percent) of any final award or settlement made to the plaintiff. Reform legislation has taken different approaches: a sliding scale in terms of a percentage of the award; court approval of what it considers to be a reasonable fee; limiting attorneys' fees to a certain percentage of the amount actually recovered by the plaintiff.

**Punitive Damage Restrictions:** Originally designed to punish defendants who showed a wanton disregard for safety, punitive damage awards no longer are limited to such cases and may substantially exceed the amount of compensatory damages awarded. Reform measures may require punitive damage awards to be paid to the state; set limits on the amount that may be awarded or the amount that may be awarded relative to compensatory damages; limit the type of case in which they may be awarded, or require hearings to establish a case for punitive damages before they may be sought in court.

**State-of-the-Art Defense:** Allows a defendant manufacturer to show that it manufactured its products in accordance with the state of scientific or technological knowledge at the time of manufacture or in compliance with government or industry safety standards.

**Frivolous Suit Penalties:** Refers to measures designed to deter pursuit of frivolous claims and the raising of frivolous defenses. These laws generally provide that where a party is found to have acted frivolously, in bringing a suit or raising a defense, that party may be found liable for payment of the other party's reasonable attorney and expert witness fees and court costs. Usually, such costs are paid by the party that incurs them.

**Periodic Payments:** In most states, unless otherwise agreed upon by the litigants or mandated by a court, judgments may be only lump-sum awards. Under a periodic payment system, payments are made over the lifetime of the plaintiff or for the period of disability.

# Tort Reform Legislation Enacted in 1986

| State | Collateral Source Rule | Joint & Several Liability | Caps on Recovery | Contingent Fee Regulation | Punitive Damage Restrictions | State-of the-Art Defense | Frivolous Suit Penalties | Periodic Payments |
|---|---|---|---|---|---|---|---|---|
| Ala. | | | | | | | | |
| Alaska | X | X | X | | X | | | X |
| Ariz. | | | | | | | X | |
| Ark. | | | | | | | | |
| Calif. | | X | | | | | | |
| Colo. | | X | X | | X | | | |
| Conn. | X | X | | X | | | X | X |
| Del. | | | | | | | | |
| D.C. | | | | | | | | |
| Fla. | X | X | X | X | X | | X | X |
| Ga. | | | | | | | X | |
| Hawaii | | X | X | | X | | X | X |
| Idaho | | | | | | | | |
| Ill. | | | | | | | | |
| Ind. | X | | | | | | X | |
| Iowa | | | | | X | X | | |
| Kan. | | | X | | | | X | X |
| Ky. | | | | | | | | |
| La. | | | | | | | | |
| Maine | | | | X | | | | X |
| Md. | | | X | | | | | X |
| Mass. | X | | X | X | | | | |
| Mich. | X | X | X | | | | X | X |
| Minn. | X | | X | | X | | | |
| Miss. | | | | | | | | |
| Mo. | | X | X | | | | | |
| Mont. | | | X | | | | | |
| Neb. | | | | | | | | |
| Nev. | | | | | | | | |
| N. H. | | | X | X | X | | X | |
| N. J. | | | | | | | | |
| N. M. | | | X | | | | | |
| N. Y. | X | X | | | | | X | X |
| N. C. | | | | | | | | |
| N. D. | | | | | | | | |
| Ohio | | | | | | | | |
| Okla. | | | | | X | | X | |
| Ore. | | | | | | | | |
| Pa. | | | | | X | | | |
| R. I. | X | | | | | | X | X |
| S. C. | | | | | | | | |
| S. D. | | | X | | | | | X |
| Tenn. | | | | | | | | |
| Texas | | | | | | | | |
| Utah | | X | X | | | | | X |
| Vt. | | | | | | | | |
| Va. | | | X | | | | | |
| Wash. | | X | X | X | | | | X |
| W. Va. | | X | X | | X | | X | |
| Wis. | | | X | X | | | | |
| Wyo. | | X | X | | | | X | |

*Includes legislation enacted up to Aug. 5.

NOTE: X in column indicates a tort reform measure was enacted, but is not reflective of the effectiveness of the reform. Some of the measures passed have limited application, such as the joint and several liability rule in California which applies only to non-economic damages.

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## Cost of Operating an Automobile

The cost per mile of owning and operating an automobile in the United States as recently as 1984 ranged from 22.7 cents for a subcompact to 39.2 cents for a passenger van, according to a study by the Federal Highway Administration. The FHA said the study was based on costs in suburban Baltimore, Md. and noted that cost figures would vary from one area to another. The analysis assumed that each of five American cars would be driven 120,000 miles over a 12-year period. The FHA said the periodic study was discontinued after 1984 because of budget cutbacks.

Auto insurance coverages include $20,000/$40,000 bodily injury liability, $10,000 property damage liability, $2,500 personal injury protection, $20,000/$40,000/$10,000 uninsured motorist, $50 deductible comprehensive for the 12-year period and $100 deductible collision for the first five years. Coverage for the van includes $300,000 single limit liability, $50,000 uninsured motorist and the same personal injury protection, comprehensive and collision coverages.

### Cost of Operating Automobiles and Vans, 1984 (Cents Per Mile)

| | Vehicle Cost Depreciated | Maintenance Accessories Parts & Tires | Gas & Oil (Exc. Taxes) | Parking & Tolls | Insurance | State & Federal Taxes* | Total Cost Per Mile |
|---|---|---|---|---|---|---|---|
| Large | 9.6¢ | 6.0¢ | 7.0¢ | 0.9¢ | 4.9¢ | 2.2¢ | 30.6¢ |
| Intermediate | 8.6 | 5.2 | 5.7 | 0.9 | 5.6 | 1.8 | 27.8 |
| Compact | 7.3 | 4.6 | 4.6 | 0.9 | 4.3 | 1.6 | 23.3 |
| Subcompact | 5.9 | 5.1 | 4.4 | 0.9 | 5.0 | 1.4 | 22.7 |
| Passenger Van | 10.7 | 6.9 | 9.1 | 0.9 | 8.9 | 2.7 | 39.2 |

*Including gasoline taxes. The gasoline price used, including taxes, was $1.389 per gallon.

Source: Federal Highway Administration, U.S. Department of Transportation.

## Insurance in Home Ownership

The cost of insurance represents less than 3 percent of the monthly housing expenses faced by home purchasers in the United States. A countrywide study by the U.S. League of Savings Institutions reflected an 8.6 percent increase from 1983 to 1985 in the median monthly housing expense after a 13 percent drop over the preceding two-year period. The cost of insurance represented 2.9 percent of the total in 1985, up fractionally from the 2.8 percent reported in 1983.

| | 1985 | | 1983 | | 1981 | |
|---|---|---|---|---|---|---|
| Item | Cost | % of Cost | Cost | % of Cost | Cost | % of Cost |
| Mortgage payment | $573 | 74.4% | $524 | 73.9% | $624 | 76.5% |
| Real estate taxes | 75 | 9.7 | 65 | 9.2 | 72 | 8.8 |
| Utilities | 100 | 13.0 | 100 | 14.1 | 100 | 12.3 |
| Hazard insurance | 22 | 2.9 | 20 | 2.8 | 20 | 2.5 |
| Total | $770 | | $709 | | $816 | |

Source: U.S. League of Savings Institutions, Home Buyer Surveys.

## Health Care Costs

The cost of health care in the United States in recent years has been the equivalent of more than 10 percent — 10.6 percent in 1984 — of the nation's gross national product, according to the Department of Health and Human Services (HHS). In that year, the latest for which the HHS data were available, the national health expenditure of some $387 billion amounted to an outlay of $1,580 for every man, woman and child in the country. The agency said the overall cost of health care was 9.1 percent higher in 1984 than in 1983.

HHS said hospital care accounted for $158 billion, or 41 percent of the nation's total health expenditures, in 1984. A steady increase in hospital room costs has been a major factor in the rising cost of health care.

The average rate for a semiprivate room in the United States was $223.85 as of January 1986, a 5.7 percent increase over the January 1985 figure of $211.77, according to a survey by the Health Insurance Association of America. State average rates ranged from a low of $115.71 in Mississippi to a high of $334.16 in Alaska. Declines in average rates were recorded in four states.

### Hospital Semiprivate Room Rates*, January 1985-86

| State | 1986 | 1985 | State | 1986 | 1985 |
|---|---|---|---|---|---|
| Alabama | $167.75 | $160.92 | Montana | $204.89 | $200.84 |
| Alaska | 334.16 | 295.19 | Nebraska | 162.69 | 155.26 |
| Arizona | 208.46 | 191.31 | Nevada | 227.20 | 242.62 |
| Arkansas | 148.72 | 140.40 | New Hampshire | 208.52 | 199.75 |
| California | 299.47 | 281.18 | New Jersey | 200.23 | 182.61 |
| Colorado | 224.55 | 211.33 | New Mexico | 211.80 | 193.03 |
| Connecticut | 218.48 | 205.52 | New York | 240.27 | 228.37 |
| Delaware | 260.20 | 214.16 | North Carolina | 142.93 | 139.49 |
| District of Columbia | 311.34 | 273.71 | North Dakota | 172.54 | 173.12 |
| Florida | 193.37 | 180.99 | Ohio | 236.54 | 228.17 |
| Georgia | 147.21 | 150.20 | Oklahoma | 168.10 | 161.60 |
| Hawaii | 252.89 | 230.82 | Oregon | 240.43 | 225.23 |
| Idaho | 204.60 | 197.10 | Pennsylvania | 278.48 | 255.40 |
| Illinois | 257.45 | 247.78 | Rhode Island | 221.37 | 206.21 |
| Indiana | 192.22 | 183.59 | South Carolina | 146.94 | 145.46 |
| Iowa | 185.70 | 179.22 | South Dakota | 171.24 | 161.15 |
| Kansas | 196.58 | 182.97 | Tennessee | 147.34 | 139.50 |
| Kentucky | 187.02 | 174.96 | Texas | 170.28 | 158.71 |
| Louisiana | 166.05 | 153.59 | Utah | 204.58 | 173.07 |
| Maine | 209.07 | 208.46 | Vermont | 234.39 | 209.48 |
| Maryland | 200.24 | 185.90 | Virginia | 172.67 | 164.76 |
| Massachusetts | 240.11 | 228.68 | Washington | 248.40 | 228.67 |
| Michigan | 273.07 | 266.71 | West Virginia | 173.49 | 165.51 |
| Minnesota | 209.24 | 187.31 | Wisconsin | 169.02 | 166.14 |
| Mississippi | 115.71 | 112.61 | Wyoming | 169.83 | 172.61 |
| Missouri | 193.99 | 184.73 | Puerto Rico | 118.50 | 114.17 |

*Data apply to medical-surgical semiprivate accommodations and exclude pediatric, intensive care, cardiac care, extended care, self-care, psychiatric and tuberculosis beds. Data for individual states may not be comparable for 1985 and 1986. In small states, hospitals dropping in and out of the survey make it difficult to compare the data from one year to the next.

Source: Health Insurance Association of America.

# 6. Losses by Category

## Fire Losses

Fire losses in the United States increased by about 2 percent in 1985, to a record $7.75 billion from the 1984 total of $7.6 billion. The per capita fire loss rose to $32.70 from the 1984 figure of $32.35. While the trend of fire losses has been generally upward over the years, the ratio of such losses to the aggregate value of property subject to such losses has been declining for many years as a result of countrywide fire prevention efforts.

### U.S. Fire Losses*
### 1875-1985

| Year | Property Loss | Loss Per Capita | Year | Property Loss | Loss Per Capita |
|---|---|---|---|---|---|
| 1875 | $ 78,102,000 | $1.73 | 1960 | $1,107,824,000 | $ 6.16 |
| 1880 | 74,643,000 | 1.49 | 1970 | 2,238,000,000 | 11.41 |
| 1890 | 108,994,000 | 1.73 | 1980 | 5,579,000,000 | 24.56 |
| 1900 | 160,930,000 | 2.12 | 1981 | 5,625,000,000 | 24.53 |
| 1910 | 214,003,000 | 2.32 | 1982 | 5,894,000,000 | 25.61 |
| 1920 | 447,887,000 | 4.21 | 1983 | 6,320,000,000 | 27.20 |
| 1930 | 501,981,000 | 4.08 | 1984 | 7,601,701,000 | 32.35 |
| 1940 | 286,491,000 | 2.16 | 1985 | 7,752,525,000 | 32.70 |
| 1950 | 648,909,000 | 4.27 | | | |

*Including allowances for uninsured and unreported losses.

Source: Insurance Services Office

## Fire Fatalities

Fire deaths in the United States totaled some 4,900 in 1985, the same number as in the preceding year, according to a National Safety Council estimate. The Council said approximately 4,000, or 82 percent, of the victims perished in residential fires.

Highest death rate by fire is among persons 65 years of age and older. The death rate among children under 5 years of age is the second highest. Rates shown below are deaths per 100,000 population in each age group resulting from burns, asphyxiation or being struck by falling objects during fires.

### Fire Deaths Per 100,000 Population

| Ages | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|
| **0-4** | 5.3 | 4.9 | 5.7 | 5.2 | 5.1 | 5.1 | 4.5 | 4.3 | 4.2 | 3.6 |
| **5-14** | 1.5 | 1.5 | 1.6 | 1.6 | 1.4 | 1.4 | 1.4 | 1.2 | 1.3 | 1.3 |
| **15-24** | 1.4 | 1.5 | 1.3 | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 | 1.1 | 1.1 |
| **25-44** | 1.7 | 1.9 | 1.8 | 1.6 | 1.6 | 1.5 | 1.4 | 1.4 | 1.4 | 1.3 |
| **45-64** | 3.5 | 3.4 | 3.2 | 3.0 | 2.8 | 2.7 | 2.3 | 2.2 | 2.1 | 2.0 |
| **65 and over** | 8.0 | 7.8 | 7.0 | 6.7 | 6.5 | 6.3 | 5.6 | 5.4 | 5.4 | 5.3 |

Source: National Safety Council

## Leading Causes of Fires

Defects in, or mishandling of, heating equipment is responsible for more residential fires than any other single cause, while arson continues to be far out in front as the leading cause of nonresidential fires.

A report by the United States Fire Administration shows that heating-related ignitions were blamed for more than one of every four (26.5 percent) residential fires in the United States in 1984, the most recent year for which the data were available. Cooking-related incidents were listed as the second leading cause of residential fires and the leading cause of injuries resulting from fires in homes.

As has been the case in previous years, careless smoking was shown to be the leading cause of residential fire fatalities, with involvement in 23.1 percent of all home fire deaths in 1984. Most of the smoking-caused deaths occur at night and involve the ignition of upholstery or bedding.

Arson caused a larger amount of dollar losses in residential fires than any other single cause.

The U.S. Fire Administration listed arson as the cause in 1984 of almost one of every four fires in nonresidential structures, including schools, restaurants, garages and manufacturing plants. The agency's preliminary data did not include an analysis of causes of deaths, injuries and dollar losses in nonresidential fires.

A summary of the U.S. Fire Administration's findings as to the leading causes of fires in 1984 appears in the table below.

### Causes of Reported Fires, 1984

| | Residential | | | | Non-Residential |
|---|---|---|---|---|---|
| | Fires % | Deaths % | Injuries % | Dollar Loss % | Fires % |
| Heating | 26.5% | 11.4% | 10.6% | 14.9% | 7.3% |
| Cooking | 15.5 | 5.9 | 18.9 | 7.1 | 11.5 |
| Incendiary/Suspicious | 10.1 | 9.9 | 8.9 | 17.3 | 23.8 |
| Electrical Distribution | 7.0 | 6.3 | 6.1 | 9.9 | 13.2 |
| Smoking | 6.6 | 23.1 | 15.1 | 6.3 | 8.2 |
| Appliances | 5.8 | 1.8 | 4.4 | 4.6 | 8.0 |
| Other Equipment | 6.3 | 3.0 | 5.6 | 5.6 | 7.1 |
| Open Flames | 4.8 | 3.7 | 5.4 | 4.0 | 5.8 |
| Children Playing | 4.2 | 5.4 | 9.2 | 3.6 | 0.9 |
| Exposure | 2.5 | 0.3 | 0.7 | 3.7 | 3.0 |
| Natural Causes | 1.3 | 0.2 | 0.9 | 1.9 | 1.5 |
| Other Heat or Spark | 1.1 | 1.3 | 1.5 | 1.4 | 1.2 |
| Flammable Liquids* | 1.0 | 1.6 | 1.1 | 2.2 | 1.8 |
| Flammable Gases* | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Unknown | 8.1 | 27.8 | 12.8 | 19.6 | 8.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*Not included in totals.

Note: Columns of figures may not total 100 percent because of the effects of rounding.

Source: United States Fire Administration.

## Arson

Incendiary or suspicious fires in the United States take hundreds of lives and cause property damage upwards of a billion dollars each year. Data from the Federal Bureau of Investigation and the National Fire Protection Association indicate that an ongoing campaign to reduce the incidence of arson has been at least moderately successful in recent years, although FBI data reflect some increase in incendiary activity in 1985.

The FBI said the number of arson offenses on which it had complete reports rose by about 5 percent from 1984 to 1985, and dollar losses were up by about 48 percent to $1.3 billion.

While NFPA arson statistics for 1985 were not available at mid-1986, that organization reported a decline from 122,000 in 1983 to 110,500 in 1984 in the number of structural fires of incendiary or suspicious origin, and a slight drop from $1.42 billion to $1.41 billion in the resulting property damage. (NFPA estimates of arson losses in 1984 are shown in the table below.)

The insurance industry for several years has worked closely with federal, state and local officials in the effort to combat arson. In 1984, the Insurance Committee for Arson Control and the Ford Foundation launched an innovative program, to be conducted in four test cities through 1986, using state-of-the-art microcomputer technology to gather data on potential arson targets.

Also in 1984, the U.S. Fire Administration initiated a three-year pilot program designed to reduce loss of life and property from fire. For participation in the program, the agency authorized grants to three communities—one urban, one suburban and one rural—in each of 10 states. Another 10 states were added to the program on the same basis in 1985.

A study published by the insurance industry-sponsored All-Industry Research Advisory Council in 1982 indicated that vandalism is the most common motive for arson fires, with fraud, or arson-for-profit, the second most prevalent motive.

### Incendiary and Suspicious Fires in Structures, 1984 Estimates

| | Fires | | Civilian Deaths | | Dollar Loss* | |
|---|---|---|---|---|---|---|
| | Estimate | Change from 1983 | Estimate | Change From 1983 | Estimate | Change From 1983 |
| Structural Fires of Incendiary Origin | 66,000 | − 9.0% | 385 | −31.9% | $ 883,000,000 | − 6.7% |
| Structural Fires of Suspicious Origin | 44,500 | −10.1 | 145 | −64.2 | 534,000,000 | +12.4 |
| Totals | 110,500 | − 9.4 | 530 | −45.5 | $1,417,000,000 | − 0.3 |

*Includes direct property losses only; does not include indirect losses such as business interruption or temporary shelter costs. No adjustment was made for inflation in the year-to-year comparison.

Source: National Fire Protection Association.

## Structural Fires

Fires in residential structures accounted for 73.5 percent of structural fires in the United States and 80.9 percent of all civilian fire deaths in 1984, according to the National Fire Protection Association (NFPA). Residential fires also accounted for 58.4 percent of the dollar losses from structural fires, estimated by the NPFA at $5.891 billion.

### Structural Fires by Type of Use, 1984 Estimates*

| Property Use | | Estimated Number of Fires | Change from 1983 | % of Structure Fires | % of Dollar Losses** |
|---|---|---|---|---|---|
| Public Assembly | | 24,000 | −2.0% | 2.8% | 5.7% |
| Educational | | 12,000 | +4.3 | 1.4 | 2.1 |
| Institutional | | 21,500 | −6.5 | 2.5 | .3 |
| Residential | | 623,000 | −2.9 | 73.5 | 58.4 |
| One- and Two-Family Dwellings*** | 506,000 | | | | |
| Apartments | 99,500 | | | | |
| Hotels and Motels | 9,000 | | | | |
| Other | 8,500 | | | | |
| Stores and Offices | | 49,500 | −2.0 | 5.8 | 11.1 |
| Industry, Utility, Defense | | 35,500 | −1.4 | 4.2 | 10.7 |
| Storage in Structures | | 48,000 | N.C. | 5.7 | 9.1 |
| Special Structures | | 34,500 | +3.0 | 4.1 | 2.6 |
| Totals | | 848,000 | −2.4 | | |

*Based on data reported to the National Fire Protection Association by fire departments responding to the 1984 National Fire Experience Survey.

**Direct property losses only.

***Includes mobile homes.

Source: National Fire Protection Association estimates.

### Civilian Fire Deaths by Property Use, 1984 Estimates

| Property Use | Deaths | % Change from 1983 | % of All Civilian Fire Deaths |
|---|---|---|---|
| Residential* | 4,240 | −12.0% | 80.9% |
| One- and Two-Family Dwellings* | 3,290 | −14.0 | 62.7 |
| Apartments | 785 | − 7.1 | 15.0 |
| Hotels and Motels | 120 | +50.0 | 2.3 |
| Other Residential | 45 | −35.7 | 0.9 |
| Non-Residential Structures | 285 | + 5.6 | 5.5 |
| Highway Vehicles | 530 | −20.9 | 10.1 |
| Other Vehicles | 100 | +81.8 | 1.9 |
| All Other Categories | 85 | −19.0 | 1.6 |
| Total | 5,240 | −11.5 | |

*Includes mobile homes.

Source: National Fire Protection Association estimates.

## Multiple-Death Fires

Ten or more persons lost their lives in each of five fires across the country during 1985, according to the National Fire Protection Association (NFPA). The same number of fires resulting in 10 or more deaths had been recorded in the preceding year.

The NFPA said the worst loss-of-life fire during 1985 occurred when 42 persons perished in a fire resulting from a plane crash in Nevada on January 21. Twenty-eight other passengers lost their lives as a result of traumatic injuries sustained in the crash.

The total number of multiple-death fires—those causing three or more fatalities—was up 10 percent from 249 in 1984 to 275 in 1985. The NFPA said a total of 1,108 persons lost their lives in the 275 fires.

Historically, there have been 22 fires in the United States in which 100 or more persons have perished, including two—in Peshtigo, Wis., in 1871 and New York City in 1904—which claimed more than 1,000 lives each. The most tragic multiple-death fire since 1970 occurred on May 28, 1977, when 165 persons died in a supper club fire in Southgate, Ky. As shown in the second table below, of the nation's 10 worst multiple-death fires, the most recent occurred more than 40 years ago when 492 persons lost their lives in a night club fire in Boston, Mass., in 1942.

### Fires Resulting in 10 or More Deaths, 1985

| Date | Location | Property Use[1] | Deaths |
|---|---|---|---|
| Jan. 21 | Reno, Nev. | Aircraft (post-crash fire) | 42 |
| June 25 | Jennings, Okla. | Fireworks manufacturing | 21 |
| Dec. 16 | Glenwood Springs, Colo. | Operations office/repair facility | 12 |
| May 13 | Philadelphia, Pa. | Rowhouse conflagration | 11 |
| July 23 | Sweet Valley, Pa. | Care of the aged without nursing staff | 10 |

Source: National Fire Protection Association

### The 10 Worst Multiple-Death Fires in the United States

| Date | Place | Deaths |
|---|---|---|
| Oct. 8, 1871 | Peshtigo, Wis., and environs | 1,152 |
| June 15, 1904 | New York, N.Y., SS General Slocum | 1,030 |
| Dec. 30, 1903 | Chicago, Ill., Iroquois Theatre | 602 |
| Oct. 12, 1918 | Cloquet, Minn., and environs | 559 |
| April 18, 1906 | San Francisco, Calif., earthquake-fire | 500 |
| Nov. 28, 1942 | Boston, Mass., Cocoanut Grove Night Club | 492 |
| Sept. 1, 1894 | Hinckley, Minn., and environs | 413 |
| June 30, 1900 | Hoboken, N.J., North German Lloyd Steamship pier and ships | 326 |
| April 21, 1930 | Columbus, Ohio, State Penitentiary | 320 |
| Dec. 5, 1876 | Brooklyn, N.Y., Conway's Theatre | 283 |

Source: Compiled by the Insurance Information Institute

## Large-Loss Fires

A fire in a huge jet engine repair facility at Tinker Air Force Base in Oklahoma in November, 1984, took more than two full days to bring under control and resulted in damage listed by the National Fire Protection Association at $138 million. In terms of property damage, it was the most costly of 39 fires during the year in which property damage reached or exceeded $5 million.

The NFPA said the 39 fires together resulted in losses of nearly $671 million.

Beginning with the great Chicago fire of 1871, in which more than 17,000 buildings were destroyed, 17 fires in the United States have caused property damage of $50 million or more (see table on the next page). Two of those fires occurred in 1984: the $138 million fire in Oklahoma and a $100 million fire in July at an oil refinery in Romeoville, Ill.

### U.S. Fires Causing Property Damage of $5 Million or More, 1984

| Date | Place | Property Damage | Estimated Loss |
|---|---|---|---|
| Nov. 12 | Tinker AFB, Okla. | Jet engine repair facility | $138,000,000 |
| July 23 | Romeoville, Ill. | Oil refinery | 100,000,000 |
| Mar. 9 | Cape Canaveral, Fla. | Cruise ship | 30,000,000 |
| Sept. 30 | Basile, La. | Gas plant | 30,000,000 |
| Oct. 15 | Washington, D. C. | Post office | 27,000,000 |
| Sept. 25 | Zeeland, Mich. | Meat processing plant | 27,000,000 |
| May 10 | Peabody, Mass. | Tannery and exposures | 25,900,000 |
| Apr. 16 | Nacogdoches, Tex. | Plywood plant | 25,000,000 |
| May 9 | San Francisco, Cal. | Waterfront piers | 16,000,000 |
| Jan. 20 | Belgium, Wis. | Shoe manufacturer | 13,000,000 |
| Mar. 3 | Denver, Colo. | Retail shops and offices | 12,000,000 |
| May 26 | Newport News, Va. | Clothing warehouse | 12,000,000 |
| Dec. 22 | Westfir, Ore. | Plywood plant | 12,000,000 |
| Oct. 26 | Belcourt, N. D. | Elementary school | 12,000,000 |
| Mar. 2 | Clearfield, Utah | Rocket propellant plant | 11,000,000 |
| May 17 | Dubuque, Iowa | College administration building | 10,000,000 |
| Sept. 19 | Knoxville, Tenn. | Grain elevator | 10,000,000 |
| Nov. 16 | Salem, Mass. | Railroad bridge | 10,000,000 |
| Dec. 20 | Gurnee, Ill. | High school | 10,000,000 |
| Feb. 2 | Paris, Tex. | Food canning plant | 9,505,000 |
| Nov. 8 | Coronado, Cal. | Apartments under construction | 9,005,000 |
| June 27 | Baltimore, Md. | Vacant warehouse | 9,000,000 |
| Aug. 6 | Hamtramck, Mich. | Multi-tenanted warehouse | 9,000,000 |
| Nov. 3 | Bayonne, N.J. | Paper product manufacturer | 9,000,000 |
| May 4 | Freehold, N.J. | Racetrack grandstand | 8,000,000 |
| Aug. 26 | Waukegan, Ill. | Plastics manufacturer | 8,000,000 |
| May 13 | Houston, Tex. | Condominium complex | 7,023,000 |
| Jan. 20 | Boston, Mass. | Railroad pier | 7,000,000 |
| Aug. 5 | Springfield, Mo. | General storage warehouse | 7,000,000 |
| Aug. 27 | Manitowoc, Mich. | Grain processor | 7,000,000 |
| May 14 | Irving, Tex. | Aircraft parts manufacturer | 6,100,000 |
| Feb. 12 | Grantsville, Utah | High school | 6,000,000 |
| July 23 | Riverside, N.J. | Metal recovery plant | 6,000,000 |
| Nov. 18 | Clifton, N.J. | Flour mill | 6,000,000 |
| Nov. 18 | Las Vegas, Nev. | Commercial aircraft | 6,000,000 |
| Oct. 24 | Los Angeles, Cal. | Paper supply warehouse | 5,300,000 |
| Mar. 22 | Barrow, Alaska | High school | 5,000,000 |
| May 2 | Chicopee, Mass. | Building under construction | 5,000,000 |
| June 6 | Los Angeles, Cal. | Machinery manufacturer | 5,000,000 |

Source: National Fire Protection Association.

The most costly fire in the United States was the San Francisco fire of 1906. The estimated loss from that fire in terms of 1982 dollars amounts to more than $3.5 billion.

### The Most Costly Fires in the United States

| Date | Place | Property Destroyed | Estimated Loss |
|---|---|---|---|
| April 18, 1906 | San Francisco, Calif. | 28,000 buildings | $350,000,000 |
| Oct. 8-10, 1871 | Chicago, Ill. | 17,340 buildings | 175,000,000 |
| Nov. 12, 1984 | Tinker AFB, Okla. | Jet engine repair facility | 138,000,000 |
| July 23, 1984 | Romeoville, Ill. | Oil refinery | 100,000,000 |
| June 6, 1982 | Falls Township, Pa. | Retail distribution center | 100,000,000 |
| Nov. 25, 1982 | Minneapolis, Minn. | Bank building | 91,000,000 |
| Nov. 9, 1872 | Boston, Mass. | 776 buildings | 75,000,000 |
| Sept. 1, 1979 | Deer Park, Texas | Tank ship | 70,000,000 |
| Nov. 28, 1981 | Lynn, Mass. | 31 buildings | 70,000,000 |
| Apr. 16, 1947 | Texas City, Texas | Waterfront industrial area | 67,000,000 |
| Feb. 27, 1975 | New York, N.Y. | Telephone central office | 56,500,000 |
| Feb. 7, 1904 | Baltimore, Md. | 80 city blocks in business section | 50,000,000 |
| Aug. 12, 1953 | Livonia, Mich. | Auto transmission plant | 50,000,000 |
| Dec. 5, 1970 | Linden, N.J. | Oil refinery, nearby buildings | 50,000,000 |
| Jan. 20, 1980 | Borger, Texas | Refinery | 50,000,000 |
| Nov. 21, 1980 | Las Vegas, Nev. | Hotel | 50,000,000 |
| Apr. 21, 1982 | Anaheim, Calif. | 51 buildings | 50,000,000 |

Source: Compiled by the Insurance Information Institute.

## Civil Disorders

Rioting which exploded in Miami, Fla., in May 1980 resulted in the most costly insured losses on record growing out of civil disorders. Of the 10 most costly civil disorders, all but the Miami violence and a disturbance in New York City, which occurred during a widespread power outage, occurred in the 1960s.

### The 10 Most Costly U.S. Civil Disorders

| Date | Locale | Estimated Insured Loss |
|---|---|---|
| May 17-19, 1980 | Miami | $65,250,000 |
| Aug. 11-17, 1965 | Los Angeles (Watts Section) | 44,000,000 |
| July 23, 1967 | Detroit | 41,500,000 |
| July 13-14, 1977 | New York City | 28,000,000 |
| April 4-9, 1968 | Washington, D.C. | 24,000,000 |
| July 12, 1967 | Newark | 15,000,000 |
| April 6-9, 1968 | Baltimore | 14,000,000 |
| April 4-11, 1968 | Chicago | 13,000,000 |
| April 4-11, 1968 | New York City | 4,200,000 |
| April 4-11, 1968 | Pittsburgh | 2,000,000 |

Source: Compiled by the Insurance Information Institute.

## The Catastrophe Record, 1985

Catastrophic occurrences in the United States during 1985 were the most costly on record, resulting in insured property losses estimated at $2,816,340,000. The figure exceeded by 25 percent the previous record of $2.25 billion set in 1983, and was 85 percent higher than the $1.55 billion in catastrophe losses incurred in 1984.

A catastrophe, in the language of the insurance industry, is an exceptionally severe loss, usually the result of violent windstorms, freezing or flooding. Catastrophes also can include fires and explosions. As a rule of thumb, an event is designated a catastrophe when the insured loss is likely to exceed $5 million.

The 34 catastrophes recorded in 1985 affected portions of 41 states. In terms of dollar losses, Mississippi was the hardest hit, with insured property damage estimated at $360 million as the result of six catastrophic events. Hurricane Elena alone caused $335 million in property damage in Mississippi.

Texas was affected by the most catastrophes — 10 — and ranked second in terms of dollar losses. Severe winter weather and wind, hail and tornadoes during the spring accounted for more than $237 million in insured property damage.

Hurricane Gloria accounted for $170 million in insured property damage in New York State, which altogether sustained some $218.5 million in catastrophic property losses during 1985. Florida was the fourth hardest hit state, with estimated loss payments of nearly $213 million.

Insured losses from various catastrophes exceeded $100 million in each of five other states: Pennsylvania, $172 million; Virginia, $137 million; Alabama, $132 million; Ohio, $112 million, and Massachusetts, $110 million.

The estimates that follow are based on data compiled by the Property Claim Services division of the American Insurance Services Group, Inc. They cover insured losses only, not total property damage.

### The Catastrophe Record, 1985

| Date | Place | Catastrophe | Estimated Loss Payments |
|---|---|---|---|
| Jan. 1-3 | Michigan | Snow, Ice, Freezing | $ 10,000,000 |
| Jan. 12-13 | California | Wind | 15,000,000 |
| Jan. 12-14 | Texas | Snow, Ice, Freezing | 20,000,000 |
| Jan. 19-22 | Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, Wisconsin | Wind, Snow, Freezing | 400,000,000 |

## The Catastrophe Record, 1985

| Date | Place | Catastrophe | Estimated Loss Payments |
|---|---|---|---|
| Jan. 31-Feb. 4 | Texas, Arkansas, Louisiana, Mississippi, Alabama, Tennessee | Snow, Ice, Freezing | $ 50,000,000 |
| Feb. 11-13 | Michigan, Illinois, Indiana, Ohio, Kentucky, New York, New Jersey | Wind, Snow, Ice, Freezing | 35,000,000 |
| Mar. 3-5 | Oklahoma, Missouri, Illinois, Minnesota, Wisconsin, Michigan, Texas | Wind, Hail, Tornadoes, Snow, Ice | 35,000,000 |
| Mar. 11-13 | Ohio, Pennsylvania, Maryland, New Jersey | Wind | 18,000,000 |
| Mar. 17 | Florida | Wind, Tornadoes | 13,965,000 |
| Mar. 26-29 | Texas, Oklahoma, Kansas, Missouri, Illinois, Indiana, Ohio | Wind, Hail, Tornadoes | 15,000,000 |
| Apr. 4-6 | Oklahoma, Missouri, Illinois, Indiana, Michigan, Louisiana, Arkansas, Mississippi, Ohio, Alabama, Georgia, South Carolina, Tennessee, Kentucky, Pennsylvania, New York | Wind, Hail, Tornadoes | 90,000,000 |
| Apr. 19-23 | Texas, Oklahoma, Kansas, Nebraska, Iowa, South Dakota, Minnesota, Arkansas, Tennessee, Missouri, Illinois | Wind, Hail, Tornadoes | 55,000,000 |
| Apr. 25-30 | New Mexico, Texas, Oklahoma | Wind, Hail, Tornadoes, Flooding | 55,000,000 |
| May 6-8 | Texas, Oklahoma | Wind, Hail, Tornadoes | 58,250,000 |
| May 10-14 | North Dakota, South Dakota, Minnesota, Iowa, Nebraska, Kansas, Missouri, Oklahoma, Texas, Illinois | Wind, Hail, Tornadoes, Flooding | 79,800,000 |
| May 16-17 | North Carolina, South Carolina | Wind, Hail | 7,000,000 |
| May 17-20 | Florida | Fires | 33,000,000 |
| May 24 | Texas | Wind, Hail | 30,000,000 |
| May 29-June 1 | Kansas, Missouri, Iowa, Illinois, Indiana, Michigan, Ohio, Pennsylvania, New York | Wind, Hail, Tornadoes | 231,600,000 |
| June 6-8 | North Carolina, South Carolina, Georgia, Kentucky | Wind, Hail, Tornadoes | 35,000,000 |
| June 8-10 | Wisconsin, Michigan, Kentucky | Wind, Hail, Tornadoes | 40,000,000 |
| June 23 | Nebraska, Iowa | Wind, Hail, Tornadoes | 10,000,000 |
| June 24 | Massachusetts, Pennsylvania, Virginia | Wind, Hail, Tornadoes | 125,000,000 |
| July 22-25 | Florida, Georgia, South Carolina, North Carolina, Virginia | Hurricane "Bob," Wind, Tornadoes, Flooding | 13,000,000 |
| Aug. 1-2 | Wyoming | Wind, Hail, Tornadoes, Flooding | 22,150,000 |
| Aug. 15-18 | Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia | Hurricane "Danny," Wind, Tornadoes, Flooding | 37,100,000 |
| Aug. 16 | North Dakota | Wind, Hail, Tornadoes | 23,820,000 |
| Aug. 19 | Colorado | Wind, Hail | 10,000,000 |
| Aug. 30-Sept. 3 | Florida, Alabama, Mississippi, Louisiana | Hurricane "Elena," Wind, Tornadoes, Flooding | 543,304,000 |
| Sept. 26-27 | North Carolina, Virginia, Maryland, Delaware, Pennsylvania, New Jersey, New York, Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont, Maine | Hurricane "Gloria," Wind, Flooding | 418,750,000 |
| Oct. 27-31 | Louisiana, Mississippi, Alabama, Florida | Hurricane "Juan," Wind, Tornadoes, Flooding | 44,000,000 |
| Nov. 3-7 | North Carolina, Virginia, West Virginia, Pennsylvania, Maryland | Wind, Tornadoes, Flooding | 153,000,000 |
| Nov. 13-14 | Oklahoma | Wind, Hail, Tornadoes | 12,000,000 |
| Nov. 19-22 | Florida, Georgia | Hurricane "Kate," Wind, Tornadoes, Flooding | 77,600,000 |

Source: Property Claim Services division, American Insurance Services Group, Inc.

## Earthquakes in the United States

While much of the nation's seismic activity is centered along the Pacific Coast and in Nevada, every state is vulnerable to and has felt the effect of earthquakes. One of the nation's most tragic catastrophes was the San Francisco earthquake-fire of April 18, 1906, which nearly razed the city and took an estimated 500 lives. In the East, the greatest shock was experienced in Charleston, S.C., on Aug. 31, 1886. The Charleston earthquake caused 60 deaths and $23 million in property damage.

Although insurance against earthquake damage is generally available, relatively few property owners have taken advantage of the protection it offers.

During 1985, the only significant earthquake recorded in the United States occurred on August 4 in and near Avenal, Cal., causing relatively slight property damage, according to the National Oceanic and Atmospheric Administration (NOAA). The agency said six persons sustained minor injuries.

Property damage figures in the table below are given in dollar values for the years in which the earthquakes occurred. NOAA said that in terms of 1981 dollars, the 1964 Alaska earthquake and tsunami would show the largest magnitude of $1.19 billion. The San Fernando earthquake of 1971 would rank second at $1.05 billion; the 1906 San Francisco earthquake third at $389.3 million. It must be noted, however, that in the San Francisco incident, the fire damage was much more extensive than that attributed to the earthquake.

### The 10 Most Costly U.S. Earthquakes

| Year | Locality | Estimated Property Damage |
|---|---|---|
| 1971 | San Fernando, Calif. | $553,000,000 |
| 1964 | Alaska and West Coast of United States (tsunami damage from earthquake near Anchorage, Alaska) | 500,000,000 |
| 1952 | Kern County, Calif. | 60,000,000 |
| 1933 | Long Beach, Calif. | 40,000,000 |
| 1983 | Central California (Coalinga) | 31,000,000 |
| 1979 | Imperial County, Calif. | 30,000,000 |
| 1960 | Hawaii and West Coast of United States (tsunami damage from earthquake off the coast of Chile) | 25,500,000 |
| 1946 | Hawaii (tsunami damage from earthquake in Aleutians) | 25,000,000 |
| 1949 | Puget Sound, Wash. | 25,000,000 |
| 1906 | San Francisco, Calif. | 24,000,000* |

*The San Francisco catastrophe of 1906 also caused fire losses estimated at $350,000,000.

Source: National Geophysical Data Center, National Oceanic and Atmospheric Administration.

## Hurricanes Reaching the United States

Six hurricanes struck the U.S. mainland during 1985 and two of them — "Elena" and "Gloria" — proved to be among the most costly on record in terms of insured losses. The National Oceanic and Atmospheric Administration (NOAA) said two tropical storms of less than hurricane strength also struck the coastline, making 1985 the most active year for strikes on the U.S. coast since 1916.

NOAA described Hurricane "Juan," which moved into the United States from the Gulf of Mexico and inflicted damage in four southern states in October, as "the deadliest and most costly of the season." While insured losses resulting from Hurricane "Juan" were estimated at $44 million, NOAA appraised the total property damage at some $1.5 billion. Twelve deaths were reported, nine of them caused by toppled oil rigs or boats lost while transporting oil workers.

In the last 25 years, 39 hurricanes have reached the continental United States, causing 816 deaths.

### Hurricanes in the United States, 1961-1985

| Year | Hurricanes | Deaths* | Year | Hurricanes | Deaths* | Year | Hurricanes | Deaths* |
|---|---|---|---|---|---|---|---|---|
| 1961 | 1 | 46 | 1970 | 1 | 11 | 1978 | 0 | 35 |
| 1962 | 0 | 4 | 1971 | 3 | 8 | 1979 | 3 | 22 |
| 1963 | 1 | 11 | 1972 | 1 | 121 | 1980 | 1 | 2 |
| 1964 | 4 | 49 | 1973 | 0 | 5 | 1981 | 0 | 0 |
| 1965 | 1 | 75 | 1974 | 1 | 1 | 1982 | 0 | 3 |
| 1966 | 2 | 54 | 1975 | 1 | 21 | 1983 | 2 | 22 |
| 1967 | 1 | 18 | 1976 | 1 | 9 | 1984 | 5 | 4 |
| 1968 | 1 | 9 | 1977 | 1 | 0 | 1985 | 6 | 30 |
| 1969 | 2 | 256 | | | | | | |

*Deaths include fatalities from high winds of less than hurricane force.

Source: United States Department of Commerce—National Oceanic and Atmospheric Administration.

### The 10 Most Costly Insured Hurricanes

| Dates | Place | Hurricane | Estimated Insured Loss |
|---|---|---|---|
| 1979-Sept. 12-14 | Miss., Ala., Fla., La., Tenn., Ky., W. Va., Ohio, Pa., N.Y. | "Frederic" | $752,510,000 |
| 1965-Sept. 7-10 | Fla., La., Miss. | "Betsy" | 715,000,000* |
| 1983-Aug. 17-20 | Texas | "Alicia" | 675,520,000 |
| 1985-Aug. 30-Sept. 3 | Fla., Ala., Miss., La. | "Elena" | 543,304,000 |
| 1985-Sept. 26-27 | N.C., Va., Md., Del., Pa., N.J., N.Y., Conn., R.I., Mass., N.H., Vt., Me. | "Gloria" | 418,750,000 |
| 1970-Aug. 3 | Southeastern Texas | "Celia" | 309,950,000* |
| 1969-Aug. 17-18 | La., Miss., Ala., Florida Panhandle | "Camille" | 225,000,000* |
| 1982-Nov. 23-24 | Hawaii | "Iwa" | 137,000,000 |
| 1954-Aug. 30-31 | N.Y., Conn., R.I., Mass., Maine, N.H., N.J. | "Carol" | 129,700,000* |
| 1979-Aug. 30, Sept. 4-6 | Fla., Ga., S.C., N.C., Va., Md., D.C., Del., Pa., N.J., N.Y., Conn., Mass., P.R., V.I. | "David" | 122,070,000 |

*Fixed property loss.

Source: Compiled by Insurance Information Institute from estimates provided prior to 1984 by the American Insurance Association; from 1984 to date by the Property Claim Services division of the American Insurance Services Group, Inc.

## Tornadoes in the United States

Although the number of tornadoes striking the United States was the lowest since 1970, the number of resulting fatalities was the highest, with the exception of 1984, since 1974. The National Oceanic and Atmospheric Administration said 94 persons lost their lives in 684 tornadoes during 1985.

During the last five years, 4,327 tornadoes have caused 338 deaths in the United States.

### Tornadoes in the United States, 1961-1985

| Year | Tornadoes | Deaths | Year | Tornadoes | Deaths | Year | Tornadoes | Deaths |
|---|---|---|---|---|---|---|---|---|
| **1961** | 697 | 51 | **1970** | 653 | 72 | **1978** | 788 | 53 |
| **1962** | 657 | 28 | **1971** | 888 | 156 | **1979** | 852 | 84 |
| **1963** | 464 | 31 | **1972** | 741 | 27 | **1980** | 866 | 28 |
| **1964** | 704 | 73 | **1973** | 1,102 | 87 | **1981** | 783 | 24 |
| **1965** | 906 | 296 | **1974** | 947 | 361 | **1982** | 1,046 | 64 |
| **1966** | 585 | 98 | **1975** | 920 | 60 | **1983** | 931 | 34 |
| **1967** | 926 | 114 | **1976** | 835 | 44 | **1984** | 907 | 122 |
| **1968** | 660 | 131 | **1977** | 852 | 43 | **1985** | 684 | 94 |
| **1969** | 608 | 66 | | | | | | |

Source: National Oceanic and Atmospheric Administration, U.S. Department of Commerce.

### Five Year Totals, Tornadoes by State, 1981-1985

| State | Tornadoes | Deaths | Injuries | State | Tornadoes | Deaths | Injuries |
|---|---|---|---|---|---|---|---|
| Alabama | 165 | 11 | 296 | Montana | 17 | 1 | 1 |
| Alaska | 0 | 0 | 0 | Nebraska | 170 | 0 | 31 |
| Arizona | 16 | 0 | 0 | Nevada | 4 | 0 | 0 |
| Arkansas | 125 | 29 | 243 | New Hampshire | 4 | 0 | 0 |
| California | 31 | 0 | 36 | New Jersey | 7 | 0 | 8 |
| Colorado | 182 | 0 | 52 | New Mexico | 24 | 0 | 0 |
| Connecticut | 5 | 0 | 0 | New York | 28 | 3 | 26 |
| Delaware | 4 | 2 | 19 | North Carolina | 70 | 45 | 838 |
| District of Columbia | 0 | 0 | 0 | North Dakota | 105 | 0 | 2 |
| Florida | 280 | 8 | 183 | Ohio | 66 | 0 | 490 |
| Georgia | 96 | 0 | 100 | Oklahoma | 355 | 23 | 586 |
| Hawaii | 5 | 0 | 0 | Oregon | 7 | 0 | 0 |
| Idaho | 12 | 0 | 0 | Pennsylvania | 78 | 65 | 566 |
| Illinois | 131 | 18 | 409 | Rhode Island | 1 | 0 | 0 |
| Indiana | 32 | 0 | 5 | South Carolina | 57 | 15 | 521 |
| Iowa | 182 | 5 | 177 | South Dakota | 165 | 0 | 12 |
| Kansas | 210 | 6 | 115 | Tennessee | 64 | 1 | 49 |
| Kentucky | 39 | 0 | 46 | Texas | 748 | 28 | 552 |
| Louisiana | 173 | 5 | 180 | Utah | 11 | 0 | 0 |
| Maine | 2 | 0 | 0 | Vermont | 2 | 0 | 0 |
| Maryland | 10 | 1 | 20 | Virginia | 25 | 0 | 21 |
| Massachusetts | 7 | 0 | 3 | Washington | 12 | 0 | 0 |
| Michigan | 76 | 3 | 28 | West Virginia | 65 | 1 | 3 |
| Minnesota | 117 | 2 | 176 | Wisconsin | 118 | 19 | 405 |
| Mississippi | 83 | 19 | 194 | Wyoming | 50 | 0 | 8 |
| Missouri | 184 | 11 | 187 | Puerto Rico | 0 | 0 | 0 |
| | | | | Countrywide Totals | 4,327* | 338 | 6,588 |

*Corrected for boundary-crossing tornadoes.

Source: National Oceanic and Atmospheric Administration, U.S. Department of Commerce.

## Motor Vehicle Accidents

The number of traffic fatalities in the United States declined in 1985 for the fifth time in six years, with the death rate dropping to a new low of 2.58 per 100 million miles traveled. The National Safety Council said the death toll of 45,600 was 1.3 percent lower than that of 1984.

Credited with contributing to the improvement in the fatality record was the increasing use of seat belts, whose use in mid-1986 was mandated in 25 states and the District of Columbia, with seat belt laws scheduled to become effective in two other states in 1987 (see table, Page 76).

Other highway crash data were less encouraging as the estimated number of accidents increased by 5 percent to 32.5 million and the number of injuries rose by 4 percent to 5,044,000. Data from a number of states link those increases to increases in miles driven and in average driving speeds. A 1984 study indicated that 56.1 percent of drivers were exceeding the 55-mile-per-hour speed limit and that 9 percent of drivers exceeded 65 miles per hour.

The economic cost of motor vehicle accidents continued to rise in 1985 because of steady increases in the costs of caring for victims, repairing the damage and providing other related services. The $76 billion figure in 1985 (up 10 percent from the 1984 estimate) was equivalent to a total of about $320 for every person in the United States.

The economic loss includes property damage, medical costs, lost productivity, the costs of emergency services, legal and court costs and public assistance programs, and insurance administration expenses.

### Motor Vehicle Accidents, 1985

| | |
|---|---|
| Accidents* | 32,500,000 |
| Deaths** | 45,600 |
| Injuries* | 5,044,000 |
| Economic Loss*** | $76,000,000,000 |

*Insurance Information Institute estimates.

**National Safety Council.

***Insurance Information Institute estimate based on information from the National Center for Health Statistics, National Health Survey.

### Traffic Deaths, 1976-1985

| Year | Deaths | Annual % Change | Death Rate per 100 Million Vehicle Miles | Ratio of Deaths to Motor Vehicle Registrations | Death Rate per 10,000 Motor Vehicles |
|---|---|---|---|---|---|
| 1976 | 47,038 | | 3.33 | 1 to 3,027 | 3.28 |
| 1977 | 49,510 | + 5.3 | 3.35 | 1 to 3,007 | 3.33 |
| 1978 | 52,411 | + 5.9 | 3.39 | 1 to 2,931 | 3.41 |
| 1979 | 53,524 | + 2.1 | 3.50 | 1 to 2,937 | 3.35 |
| 1980 | 53,172 | − 0.7 | 3.50 | 1 to 3,039 | 3.29 |
| 1981 | 51,385 | − 3.4 | 3.30 | 1 to 3,197 | 3.13 |
| 1982 | 45,779 | − 10.9 | 2.88 | 1 to 3,611 | 2.77 |
| 1983 | 44,452 | − 2.9 | 2.69 | 1 to 3,777 | 2.62 |
| 1984 | 46,200 | + 3.9 | 2.69 | 1 to 3,668 | 2.69 |
| 1985 | 45,600 | − 1.3 | 2.58 | 1 to 3,853 | 2.60 |

Source: National Safety Council (ratio of deaths to registrations compiled by Insurance Information Institute).

## Status of Auto Seat Belt Legislation as of July 1, 1986

| State | Date Legislation Effective | Violation May Mitigate Damages | Primary[1] Enforcement | Additional Information |
|---|---|---|---|---|
| Alabama | | | | |
| Alaska | | | | |
| Arizona | | | | |
| Arkansas | | | | |
| California | 1/1/86[2] | | | |
| Colorado | | | | |
| Connecticut | 1/1/86 | | | |
| Delaware | | | | |
| Dist. of Columbia | 12/12/85 | | | |
| Florida | 7/1/86 | | | |
| Georgia | | | | |
| Hawaii | 12/16/85 | | X | |
| Idaho | 7/1/86 | | | |
| Illinois | 7/1/85 | | X | |
| Indiana | 7/1/87 | | | |
| Iowa | 6/1/86 | X | X | |
| Kansas | 7/1/86 | | | |
| Kentucky | | | | |
| Louisiana | 7/1/86 | X | | |
| Maine | | | | |
| Maryland | 7/1/85 | | | |
| Massachusetts | 1/1/86 | | | Requires non-binding referendum, 1986 |
| Michigan | 7/1/85 | X | | Damage mitigation up to 5% maximum |
| Minnesota | 8/1/86 | | X | No fines |
| Mississippi | | | | |
| Missouri | 9/28/85 | X | | |
| Montana | | | | |
| Nebraska | 9/6/85 | X | | Damage mitigation up to 5% maximum |
| Nevada | 7/1/86[3] | | | |
| New Hampshire | | | | |
| New Jersey | 3/1/85 | | | |
| New Mexico | 1/1/86 | | X | |
| New York | 12/1/84 | X | X | Maximum fine $50 |
| North Carolina | 10/1/85 | | X | |
| North Dakota | | | | |
| Ohio | 5/6/86 | | | |
| Oklahoma | 2/1/87 | | | |
| Oregon | | | | |
| Pennsylvania | | | | |
| Rhode Island | | | | |
| South Carolina | | | | |
| South Dakota | | | | |
| Tennessee | 4/21/86 | | | Warning citations for 1st violations |
| Texas | 9/1/85 | | X | |
| Utah | 4/27/86 | | | |
| Vermont | | | | |
| Virginia | | | | |
| Washington | 6/11/86 | | | |
| West Virginia | | | | |
| Wisconsin | | | | |
| Wyoming | | | | |

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[1] Primary enforcement means police may stop a vehicle and issue a citation for non-compliance with seat belt law. In other states, laws provide for secondary enforcement, which means police may issue a citation only if the vehicle has been stopped for another traffic violation.

[2] Drivers, front and back passengers. Law requires manufacturers to install passive restraints in new cars sold in California after Sept. 1, 1989.

[3] Tied to federal acceptance of requested exemption from 55 mph speed limit.

Source: Insurance Information Institute.

## Sex of Drivers

Males comprised about 52.1 percent — some 82.5 million — of the nation's estimated 158.2 million drivers in 1985. While males were involved as drivers in almost twice as many accidents as were females, the National Safety Council attributes the difference at least partly to the amount of driving done by members of each sex and to differences in the times, places and circumstances that the driving is done.

However, on the basis of the number of miles driven, the accident rate of female drivers exceeded that of male drivers for the first time in 1985, according to the National Safety Council data. In recent years, the accident rate of male drivers — on the basis of the number of drivers in accidents per 10 million miles driven — has been decreasing gradually while the accident rate of female drivers has been fluctuating.

Nevertheless, male drivers continued in 1985 to compile a much worse fatal accident record than their female counterparts. The National Safety Council data showed that males were involved as drivers in almost four times as many fatal accidents as females and that the involvement rate of male drivers was almost double that of female drivers.

### Sex of Drivers Involved in Accidents, 1976-1985

| | Drivers in All Accidents | | | | Drivers in Fatal Accidents | | | |
|---|---|---|---|---|---|---|---|---|
| | Male | | Female | | Male | | Female | |
| Year | Number | Rate* | Number | Rate* | Number | Rate** | Number | Rate** |
| 1976 | 19,600,000 | 206 | 8,800,000 | 191 | 48,100 | 51 | 10,900 | 24 |
| 1977 | 20,600,000 | 209 | 9,300,000 | 193 | 51,900 | 53 | 11,800 | 25 |
| 1978 | 21,700,000 | 209 | 9,800,000 | 192 | 51,500 | 50 | 15,500 | 30 |
| 1979 | 20,600,000 | 202 | 9,100,000 | 180 | 52,700 | 52 | 12,500 | 25 |
| 1980 | 20,100,000 | 200 | 9,700,000 | 192 | 56,100 | 56 | 12,200 | 24 |
| 1981 | 20,500,000 | 200 | 9,500,000 | 183 | 53,200 | 52 | 11,800 | 23 |
| 1982 | 20,600,000 | 198 | 9,900,000 | 186 | 48,800 | 47 | 11,500 | 22 |
| 1983 | 20,400,000 | 187 | 10,300,000 | 184 | 46,300 | 43 | 11,700 | 21 |
| 1984 | 21,800,000 | 192 | 11,200,000 | 190 | 47,600 | 42 | 13,300 | 23 |
| 1985 | 21,400,000 | 185 | 11,600,000 | 191 | 46,700 | 40 | 12,700 | 21 |

*Number of drivers in all accidents per 10,000,000 miles driven.

**Number of drivers in fatal accidents per 1,000,000,000 miles driven.

Source: National Safety Council estimates.

## Types and Locations of Auto Accidents

Although some seven out of 10 of the nation's automobile accidents occur in urban locations, nearly two-thirds of the resulting fatalities occur in rural areas. National Safety Council compilations show that in 1985 rural accidents accounted for more than 63 percent of all highway fatalities but only 40 percent of non-fatal injuries.

The urban-rural proportions vary considerably for specific types of accidents, however. In 1985, for example, about 72 percent of all pedestrian fatalities occurred in urban areas, while rural accidents accounted for more than eight of every 10 fatal noncollision accidents and nearly seven out of 10 fatal collisions involving two or more motor vehicles. (See table below.)

### Motor Vehicle Accidents by Type and Location, 1985

| | Fatal Accidents | | | All Accidents | | |
|---|---|---|---|---|---|---|
| Type of Accident | Total | Urban | Rural | Total | Urban | Rural |
| Vehicle-Pedestrian | 8,100 | 5,800 | 2,300 | 80,000 | 60,000 | 20,000 |
| Two-Vehicle Collision | 16,200 | 4,900 | 11,300 | 15,660,000 | 12,370,000 | 3,290,000 |
| Angle Collision | 6,500 | 2,400 | 4,100 | 5,780,000 | 4,700,000 | 1,080,000 |
| Head-on Collision | 4,900 | 1,000 | 3,900 | 580,000 | 400,000 | 180,000 |
| Rear-End Collision | 2,000 | 600 | 1,400 | 4,680,000 | 3,670,000 | 1,010,000 |
| Other Two-Vehicle Collision | 2,800 | 900 | 1,900 | 4,620,000 | 3,600,000 | 1,020,000 |
| Other Collision | 3,800 | 1,800 | 2,000 | 880,000 | 670,000 | 210,000 |
| Noncollision | 12,300 | 2,100 | 10,200 | 2,680,000 | 800,000 | 1,880,000 |
| Totals | 40,400 | 14,600 | 25,800 | 19,300,000 | 13,900,000 | 5,400,000 |

Source: National Safety Council

## Claims Costs, Auto Accidents

The costs of insurance claim settlements and court awards resulting from auto accidents have risen steadily in recent years. From 1976 through 1985, the average paid bodily injury claim rose 163.8 percent from $2,583 to $6,815; the average paid property damage liability claim climbed approximately 148.4 percent from $490 to $1,217.

### Countrywide Average Paid Claim Costs*
### Liability Insurance, Private Passenger Cars

| Year | Bodily Injury | Property Damage | Year | Bodily Injury | Property Damage |
|---|---|---|---|---|---|
| **1976** | $2,583 | 490 | **1981** | $4,453 | $ 889 |
| **1977** | 2,890 | 544 | **1982** | 5,041 | 958 |
| **1978** | 3,123 | 622 | **1983** | 5,699 | 1,020 |
| **1979** | 3,559 | 715 | **1984** | 6,163 | 1,125 |
| **1980** | 4,010 | 787 | **1985** | 6,815 | 1,217 |

*For all limits combined, and including all loss adjustment expenses. For bodily injury liability, dollar averages exclude Massachusetts (for all years) and most states which have no-fault automobile insurance laws. For property damage liability, dollar averages exclude Massachusetts, Michigan and South Carolina.

Source: Insurance Services Office

## The Drinking Driver

The battle against drunk driving, which is blamed for upwards of 20,000 traffic deaths each year, continued to gain momentum in 1986 as several additional states put into effect bars on the consumption of alcoholic beverages by persons under age 21.

As of late 1986, 41 states had activated a legal drinking age of 21, and one other state had established 21 as the legal drinking age for all alcoholic beverages effective in mid-1987. Three other states and the District of Columbia prohibit the use of liquor by persons under age 21, but continue to permit the consumption of beer or wine at an earlier age (see table, Pages 80 and 81). Drinking at age 18 continued to be legal in one state; at age 19 in four states.

Federal legislation signed by President Reagan in 1984 calls for the withholding of federal highway funds from states which fail to adopt a minimum drinking age of 21, applicable to all alcoholic beverages, by Oct. 1, 1986. The measure had the strong support of such grass-root groups as Mothers Against Drunk Drivers (MADD) and Remove Intoxicated Drivers (RID).

Most of the states have strengthened their anti-drunk driving laws in recent years. Among deterrents now in use are license suspensions (along with jail sentences in a few states) for first offenders (with tougher penalties for subsequent offenses), roadside sobriety checks; mandatory educational requirements, and laws or court rulings holding servers of alcoholic beverages liable for actions of intoxicated patrons or guests. One state now color-codes driver licenses as an aid to enforcement.

In Massachusetts, "happy hours" were banned under a law signed in November 1984. The law outlaws half-price, two-for-the-price-of-one, all-you-can-drink and other similar alcohol promotions. Similar legislation later was adopted in Alaska and New Mexico and has been under consideration in other states. A few counties and municipalities around the country have enacted local anti-happy hour ordinances.

The campaign to toughen drunk driver laws gained a new form of support in 1985 when the American Medical Association proposed a 50 percent cut in the blood-alcohol level at which a person is presumed to be intoxicated. The association adopted a resolution urging that a blood-alcohol level of .05 percent be used as the legal limit for drivers, replacing the current standard of .10 percent used by most states.

The AMA's Council on Scientific Affairs said research shows that when a person has a .05 percent alcohol level, the probability of causing an auto accident is about the same as for a sober person. However, the doctors said, when the level is even slightly above that mark, the probability rises sharply as reflexes and judgment become impaired.

## Measures by the States to Curb Drunk Driving*

| State | Drinking Age | 1st Offense License Suspension | Blood Alcohol Concentration (BAC) defining Driving While Intoxicated | Laws or Court Cases Holding Alcoholic Bev. Servers Lieble | |
|---|---|---|---|---|---|
| | | | | Statute | Court |
| Alabama | 21[1] | 90 days | 0.10 | yes | yes |
| Alaska | 21 | 90 days | 0.10 | yes | yes |
| Arizona | 21[1] | 90 days | 0.10 | | yes |
| Arkansas | 21 | 90 days | 0.10 | | |
| California | 21 | 96 hrs.-6 mos. | 0.10 | yes | |
| Colorado | 21; 18, 3.2 beer | 1 yr. (.15 BAC) | 0.15[4] | yes | yes |
| Connecticut | 21 | 6 mos. | 0.10 | yes | |
| Delaware | 21 | 3 mos. | 0.10[4] | | |
| District of Columbia | 21; 18 beer & wine | 12 mos. | 0.10[4] | | |
| Florida | 21[1] | 6 mos. | 0.10 | yes | yes |
| Georgia | 21[1] | 1 yr. | 0.10 | yes | yes |
| Hawaii | 21 | 90 days | 0.10 | | yes |
| Idaho | 19 | 6 mos. | 0.10[4] | yes | yes |
| Illinois | 21 | 1 yr. min. | 0.10 | yes | |
| Indiana | 21 | 60 days-1 yr. | 0.10 | | yes |
| Iowa | 19 | 180 days | 0.13[4] | yes | |
| Kansas | 21; 20, 3.2 beer[2] | Limited use, 90 days | 0.10 | | |
| Kentucky | 21 | 30 days-6 mos. | 0.10 | | yes |
| Louisiana | 18 | 60 days | 0.10 | | yes |
| Maine | 21 | 45-90 days | 0.10 (.02 under 21) | yes | |
| Maryland | 21 | 60 days max. | 0.13 | | |
| Massachusetts | 21 | 30 days-1 yr. | 0.10 | | yes |
| Michigan | 21 | 6 mos.-1 yr. | 0.10 | yes | |
| Minnesota | 21 | 30 days | 0.10 | yes | |
| Mississippi | 21 | 90 days-1 yr. | 0.10 | | yes |
| Missouri | 21 | 30 days | 0.13[4] | | yes |
| Montana | 19 | 6 mos. | 0.10 | yes | yes |
| Nebraska | 21 | 6 mos. | 0.10 | | |
| Nevada | 21 | 1 yr. (rev.) | 0.10 | | |
| New Hampshire | 21 | 90 days-2 yrs. | 0.10 | | |
| New Jersey | 21 | 6 mos. | 0.10 | | yes |
| New Mexico | 21 | 6 mos. | 0.10 (.05 under 18) | yes | yes |
| New York | 21 | 6 mos. | 0.10 | yes | |
| North Carolina | 21 | 1 yr. | 0.10 | yes | yes |
| North Dakota | 21 | 91 days | 0.10 | yes | |
| Ohio | 21; 19, beer | 60 days | 0.10 | yes | |
| Oklahoma | 21 | 6 mos. | 0.10 | | yes |
| Oregon | 21 | 1 yr. | 0.08 | yes | yes |
| Pennsylvania | 21 | 1 yr. | 0.10 | yes | |
| Rhode Island | 21 | 3-6 mos. | 0.10 | yes | |
| South Carolina | 21 | 6 mos. | 0.10 | | |
| South Dakota | 21; 19, 3.2 beer | 30 days | 0.10 | | yes |
| Tennessee | 21[1] | 1 yr. | 0.10 | | |
| Texas | 21 | 90 days-1 yr. | 0.10[4] | | yes |
| Utah | 21 | 90 days | 0.08[4] | yes | |
| Vermont | 21 | 3 mos.-1 yr. | 0.10 | yes | |
| Virginia | 21[1] | 6 mos. | 0.10 | | |
| Washington | 21 | 90 days | 0.10 | | yes |
| West Virginia | 21[3] | 6 mos. | 0.10 | | |
| Wisconsin | 21 | 3 mos. | 0.10 | | yes |
| Wyoming | 19 | 90 days | 0.10 | yes | yes |

*All data are as of July 1, 1986, except that changes in legal drinking ages which take effect during 1986 have been incorporated into the table.

[1] "Grandfather clause"—persons under 21 reaching previous legal drinking age before a certain date retain their drinking age status; [2] drinking age

Source: Insurance Information Institute

| Special Measures | State |
|---|---|
| Mandatory school for convicted DWIs | Alabama |
| Ban on "happy hours"; some local REDDI[5] lines | Alaska |
|  | Arizona |
| Governor's advisory council | Arkansas |
| Toll-free number to report DWI suspects; open container law | California |
| Administrative license revocation; REDDI[5] line | Colorado |
| 48 hours in jail or public service for first offense | Connecticut |
|  | Delaware |
|  | District of Columbia |
| Statewide rehabilitation program | Florida |
| Required high school courses on drinking and driving; DWI grand jury | Georgia |
| Mandatory education; roadblocks; alcohol to minors by parents only | Hawaii |
| Mandatory treatment for DWIs; REDDI[5] hot line | Idaho |
|  | Illinois |
|  | Indiana |
| Toll-free hot line; CB radio watch | Iowa |
| REDDI[5] hot line | Kansas |
| 30-day suspension with education program, six months without; under 18 lose license 6 months | Kentucky |
| Mandatory education and community service; "hardship" law | Louisiana |
| License revocation for BAC of .02 or higher for drivers under 21 | Maine |
|  | Maryland |
| Ban on "happy hours" | Massachusetts |
|  | Michigan |
| Administrative suspension at BAC .10 | Minnesota |
| Rehabilitation program with incentives (reduced suspension) | Mississippi |
| Administrative revocation at .13, plus 60-day restricted use; REDDI[5] line | Missouri |
| Fine, jail for first offender DWIs; increased penalties for subsequent offenses; per se law | Montana |
| Trooper incentive program; REDDI[5] line | Nebraska |
| 2 days jail or public service; 3d DWI in 7 years a felony; no DWI plea bargaining; REDDI[5] line | Nevada |
|  | New Hampshire |
| $1,000 surcharge for convicted DWIs | New Jersey |
| Administrative license suspension pending hearing; ban on "happy hours" | New Mexico |
| "Stop DWI" education program; aggravated unlicensed operation an offense | New York |
| Color coding on driver licenses to better enforce drinking age | North Carolina |
|  | North Dakota |
| Educational program for first offenders; REDDI program | Ohio |
| BAC .05-.10 considered to constitute driving while impaired | Oklahoma |
| CB reporting system; governor's task force; REDDI program | Oregon |
|  | Pennsylvania |
| Toll-free hot line | Rhode Island |
| Open container law | South Carolina |
|  | South Dakota |
| Mandatory education requirement; trooper incentive program | Tennessee |
| Mandatory education program for the first offense; hot line | Texas |
| Jail or community service for first offense; REDDI[5] program | Utah |
|  | Vermont |
| Jail term up to 1 year; alcohol safety action program; court-ordered DWI program | Virginia |
| Sophisticated testing procedures; toll-free hot line; CB reporting system; task force | Washington |
| Administrative license suspension | West Virginia |
|  | Wisconsin |
| REDDI[5] hot line | Wyoming |

for 3.2 beer increases to 21 as of 7/1/87; [3] except for "non-intoxicating" beer; [4] per se definition (state has lower "presumed intoxicated" BAC number);

[5] REDDI is an acronym for Report Every Drunk Driver Immediately.

## Accidental Deaths

Accidents in the United States in 1985 took approximately 92,500 lives. The toll was fractionally lower than the 1984 total.

National Safety Council data showed that the only category in which the number of fatalities increased in 1985 was that of accidents in public other than those involving motor vehicles.

| | 1985 | 1984 | % Change |
|---|---|---|---|
| All Accidents | 92,500 | 93,000 | − 1% |
| Motor Vehicle | 45,600 | 46,200 | − 1 |
| Home | 20,500 | 21,000 | − 2 |
| Work | 11,600 | 11,700 | − 1 |
| Public (non-motor vehicle) | 19,000 | 18,500 | + 3 |

NOTE: Death figures shown for the four separate classifications total more than the "All Accidents" figure due to rounding and because some deaths are included in more than one classification.

Source: National Safety Council.

## Deaths in Home Accidents

Falls and fires, the first and second leading causes of accidental deaths in the home, accounted for approximately half of such fatalities in 1985, according to National Safety Council estimates. The number of deaths attributed to home accidents has been declining for many years.

### Numbers and Types of Home Accident Deaths, 1976-1985

| | | | Suffocation: | | Poisoning by: | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Falls | Fires, Burns* | Ingested Object | Other | Solids, Liquids | Gases, Vapors | Firearms | Other | Total |
| 1976 | 7,700 | 5,200 | 1,800 | 700 | 3,300 | 1,000 | 1,200 | 3,100 | 24,000 |
| 1977 | 7,400 | 5,000 | 1,800 | 800 | 2,700 | 1,000 | 1,100 | 3,400 | 23,200 |
| 1978 | 7,400 | 5,100 | 1,800 | 800 | 2,400 | 1,100 | 1,000 | 3,200 | 22,800 |
| 1979 | 7,100 | 4,900 | 2,000 | 500 | 2,500 | 900 | 1,100 | 3,500 | 22,500 |
| 1980 | 7,100 | 4,800 | 2,000 | 500 | 2,500 | 700 | 1,100 | 4,100** | 22,800 |
| 1981 | 6,800 | 4,700 | 2,000 | 500 | 2,600 | 800 | 1,000 | 3,300 | 21,700 |
| 1982 | 6,500 | 4,300 | 2,100 | 600 | 2,700 | 800 | 1,000 | 3,200 | 21,200 |
| 1983 | 6,500 | 4,100 | 2,200 | 600 | 2,700 | 800 | 900 | 3,400 | 21,200 |
| 1984 | 6,500 | 4,200 | 1,900 | 600 | 3,300 | 800 | 800 | 2,900 | 21,000 |
| 1985 | 6,100 | 4,000 | 2,000 | 500 | 3,100 | 700 | 800 | 3,300 | 20,500 |

*Includes deaths resulting from conflagrations, regardless of nature of injury.

**Includes about 1,000 excessive heat deaths due to summer heat wave.

Source: National Safety Council estimates

## Accidents by Age of Drivers

Compilations based on reports from state traffic authorities show that drivers under age 25 are involved in a disproportionately high number of traffic accidents. According to the National Safety Council, drivers in that age group made up 20.2 percent of the motoring population of the United States in 1985, but comprised 33.9 percent of the drivers involved in all accidents and 32.3 percent of drivers in fatal accidents. Drivers in the 20-24 age bracket had the worst fatal accident rate in 1985 — 65 per 100,000 drivers. Drivers in the 20-24 group also had the highest overall accident rate — 36 per 100 drivers.

### Accidents by Age of Drivers, 1985

| Age Group | Number of Drivers | % of Total | Drivers in All Accidents | % of Total | Drivers in Fatal Accidents | % of Total | Driver Involvement Rate | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | All* | Fatal** |
| Under 20 | 14,100,000 | 8.9% | 4,800,000 | 14.5% | 7,500 | 12.6% | 34 | 53 |
| 20-24 | 17,900,000 | 11.3 | 6,400,000 | 19.4 | 11,700 | 19.7 | 36 | 65 |
| 25-34 | 38,500,000 | 24.4 | 8,900,000 | 27.0 | 16,000 | 26.9 | 23 | 42 |
| 35-44 | 30,700,000 | 19.4 | 5,200,000 | 15.9 | 4,100 | 15.3 | 17 | 30 |
| 45-54 | 22,700,000 | 14.3 | 3,100,000 | 9.4 | 5,700 | 9.6 | 14 | 25 |
| 55-64 | 18,800,000 | 11.9 | 2,400,000 | 7.3 | 4,500 | 7.6 | 13 | 24 |
| 65-74 | 12,100,000 | 7.7 | 1,300,000 | 3.9 | 3,000 | 5.0 | 11 | 25 |
| 75 and over | 3,400,000 | 2.1 | 900,000 | 2.7 | 2,000 | 3.3 | 26 | 59 |
| Totals | 158,200,000 | 100.0 | 33,000,000 | 100.0 | 59,500 | 100.0 | 21 | 38 |

*Drivers in all accidents per 100 drivers in each age group.

**Drivers in fatal accidents per 100,000 drivers in each age group.

Source: National Safety Council

## Automobile Repair Costs

The cost of repairing automobiles continues to climb because of steady increases in the costs of parts and labor. A 1985 study by the Alliance of American Insurers showed that the costs of the parts and paint to reconstruct a totally-demolished 1985 American-made two-door sports coupe would be 3.5 times the vehicle's factory sticker price. The study found that the replacement parts and paint would cost $37,014, not including labor charges, as compared to the car's sticker price of $10,682. The car selected for the study was equipped with various popular options. Rising insurance costs reflect the fact that coverages which pay for vehicular damage typically account for about two-thirds of the total cost of an insurance policy on a late-model car, with the other one-third covering personal injury.

A study of labor rates in key areas around the country indicates a range of $16.00 to $34.19 an hour in April 1985 and an average hourly rate of $20.70 — up from $20.07 in January (see table, Page 50). The table below reflects a 12 percent increase in a three-year period in the cost of replacing frequently damaged parts of the same popular model 1982 car.

### Cost of Replacing Selected Parts, 1982 and 1985

| | 1982 Oldsmobile Cutlass Supreme 2-door sedan damaged in: | | | |
|---|---|---|---|---|
| | April 1982 | | April 1985 | |
| | Parts | Labor* | Parts | Labor** |
| Front Bumper Assembly | $ 936.91 | $ 49.62 | $1,048.49 | $ 57.96 |
| Grille and Headlight Assemblies | 449.81 | 54.93 | 528.20 | 64.17 |
| Hood Assembly | 399.04 | 44.30 | 466.73 | 51.75 |
| Front Fender Assembly (one side) | 347.10 | 65.56 | 336.35 | 76.59 |
| | $2,132.86 | $214.41 | $2,379.77 | $250.47 |
| | | $2,347.27 | | $2,630.24 |

*$17.72 an hour.

**$20.70 an hour.

Sources: Parts costs: Insurance Institute for Highway Safety, Motor Crash Estimating Guides, April 1982 and April 1985, labor costs, Allstate Insurance Company.

## Low Speed Crash Tests

Five-mile-per-hour impacts between small automobiles and (stationary) barriers and poles can be costly, according to the findings of crash tests conducted early in 1986 by the Insurance Institute for Highway Safety (IIHS).

IIHS said that only nine out of 23 1986-model cars subjected to a series of tests at that speed escaped undamaged in flat front- and rear-end impacts into barriers. As recently as the 1982 model year, new cars were required to withstand such impacts without damage to either the car body or its bumper. But in 1982, the National Highway Traffic Safety Administration weakened the federal bumper test requirement to 2.5 mph and also permitted unlimited damage to the bumper so long as the body is protected.

All of the cars tested sustained damage in front-into-angle barrier tests and in rear-into-pole impacts.

IIHS said the models tested all were popular, two-door small cars with base prices lower than $10,000.

The Institute said the car with the best overall results was the Ford Escort, whose base price in mid-February was listed by IIHS at $6,052. The Escort was undamaged in the flat barrier tests, but sustained a total of $361 in assessed damage costs in the other two tests.

The car with the worst damage record was the $4,000 YUGO GV, which sustained a total of $2,197 in assessed damages. The YUGO GV and the Volkswagen Scirocco each sustained more than $600 total damage in the front and rear flat barrier tests. However, the Scirocco fared better than any of the other cars in the front-angle barrier test.

IIHS observed that most of the cars that performed well in the flat barrier tests were also among the best performers in the other tests. However, the car with the most damage in the front-angle barrier test, the Nissan 200SX, was among the nine that sustained no damage at all in the flat barrier tests.

The car with the worst performance in the rear-into-pole crash, a Subaru DL three-door, had nearly eight times the damage of the car with the best performance, the Chevrolet Chevette.

The Washington-based Institute said many of the cars tested have bumper systems that are essentially unchanged from the previous model year. Among them, three of the four cars with the most frequent insurance claims for collision damage among 1985 models — the Nissan 200SX, the Mitsubishi Cordia and the Volkswagen Scirocco — also sustained extensive damage in the barrier crash tests of the 1986 models.

## Damage Repair Costs* in 5 MPH Crash Tests of 1986 Small 2-Door Cars

| Make and Model | Front into Barrier | Rear into Barrier | Front into Angle Barrier | Rear into Pole | Total Damage in All Tests |
|---|---|---|---|---|---|
| Ford Escort | $ 0 | $ 0 | $192 | $169 | $ 361 |
| Mazda 323 | 0 | 0 | 240 | 153 | 393 |
| Toyota Celica | 0 | 0 | 176 | 254 | 430 |
| Plymouth Colt | 0 | 0 | 319 | 224 | 543 |
| Chevrolet Chevette | 0 | 0 | 417 | 149 | 566 |
| Toyota Tercel | 0 | 0 | 291 | 319 | 610 |
| Toyota Corolla | 0 | 0 | 399 | 364 | 763 |
| Renault Alliance | 0 | 0 | 466 | 385 | 851 |
| Nissan Pulsar | 97 | 0 | 506 | 283 | 886 |
| Dodge Charger | 113 | 91 | 500 | 183 | 887 |
| Volkswagen Scirocco | 320 | 348 | 94 | 214 | 976 |
| Mitsubishi Cordia | 125 | 0 | 608 | 306 | 1,039 |
| Honda Civic | 0 | 155 | 426 | 543 | 1,124 |
| Volkswagen Jetta | 135 | 170 | 533 | 429 | 1,267 |
| Mazda 626 | 0 | 42 | 515 | 771 | 1,328 |
| Chrysler Laser | 175 | 104 | 426 | 710 | 1,415 |
| Chevrolet Sprint | 92 | 164 | 454 | 715 | 1,425 |
| Nissan Sentra | 147 | 338 | 463 | 496 | 1,444 |
| Nissan 200SX | 0 | 0 | 884 | 592 | 1,476 |
| Volkswagen Golf | 86 | 269 | 543 | 644 | 1,542 |
| Isuzu I-Mark | 72 | 155 | 484 | 833 | 1,544 |
| Subaru DL 3-Dr. | 179 | 0 | 745 | 1,124 | 2,048 |
| Yugo GV | 256 | 399 | 686 | 856 | 2,197 |

*Repair costs are rounded to the nearest dollar.

Source: Insurance Institute for Highway Safety

## Auto Collision Insurance Claims

Sports and specialty cars, as in previous years, dominated the list of 1985 model cars with the worst insurance collision coverage loss experience, according to the Highway Loss Data Institute (HLDI). HLDI said that of the five high-volume models and the five low-volume models with the poorest collision records, six were sports or specialty cars and four were regular two-door cars.

Four of the five low-volume vehicles with the worst results were imported models, while four of the five high-volume cars with the poorest collision insurance records were domestic models, HLDI said.

In a comparable rundown of cars with the best collision coverage results, all 10 models listed were manufactured in the United States.

The findings grew out of a study of the frequencies and sizes of collision coverage claims for damage to 1983, 1984 and 1985 model cars. The results, based on data from 13 insurers, were reported separately for high-volume models (those with at least 1 percent of the total experience for the model year) and for low-volume models.

HLDI noted that claim frequencies, average loss payments per claim and average loss payments per insured vehicle year generally decrease with increasing vehicle size in all body style groups.

Of the high-volume 1985 models, the car shown to have the best record was the Dodge Caravan passenger van with a result 51 percent better than the average for all cars. The high-volume car with the worst record was the Chevrolet Camaro, a midsize sports car, with a result 69 percent higher than average.

Among the low-volume models, the Mercury Grand Marquis station wagon had the best result and the two-door Volkswagen Scirocco fared the worst.

The table on the next page lists the cars in the high-volume and low-volume groupings with the best and the worst collision coverage loss experience based on average loss payments per insured vehicle year. The chart compares the collision loss experience of the 1985 models by car size and body style group.

The table below compares the collision loss experience of 1985 model cars during their first year of availability, 1984 models during their first two years and 1983 models during their first three years.

### Insurance Losses, Collision Coverages, in Years Since Introduction, 1983, 1984 and 1985 Models, Passenger Cars

| Model Year | Years Since Introduction | Claim Frequency Per 100 Insured Vehicle Years | Average Loss Payment Per Claim | Average Loss Payment Per Insured Vehicle Year |
|---|---|---|---|---|
| 1985 | 1st | 10.3 | $1,642 | $168 |
| 1984 | 2nd | 10.3 | 1,556 | 160 |
| 1983 | 3rd | 9.5 | 1,500 | 143 |

Source: Highway Loss Data Institute.

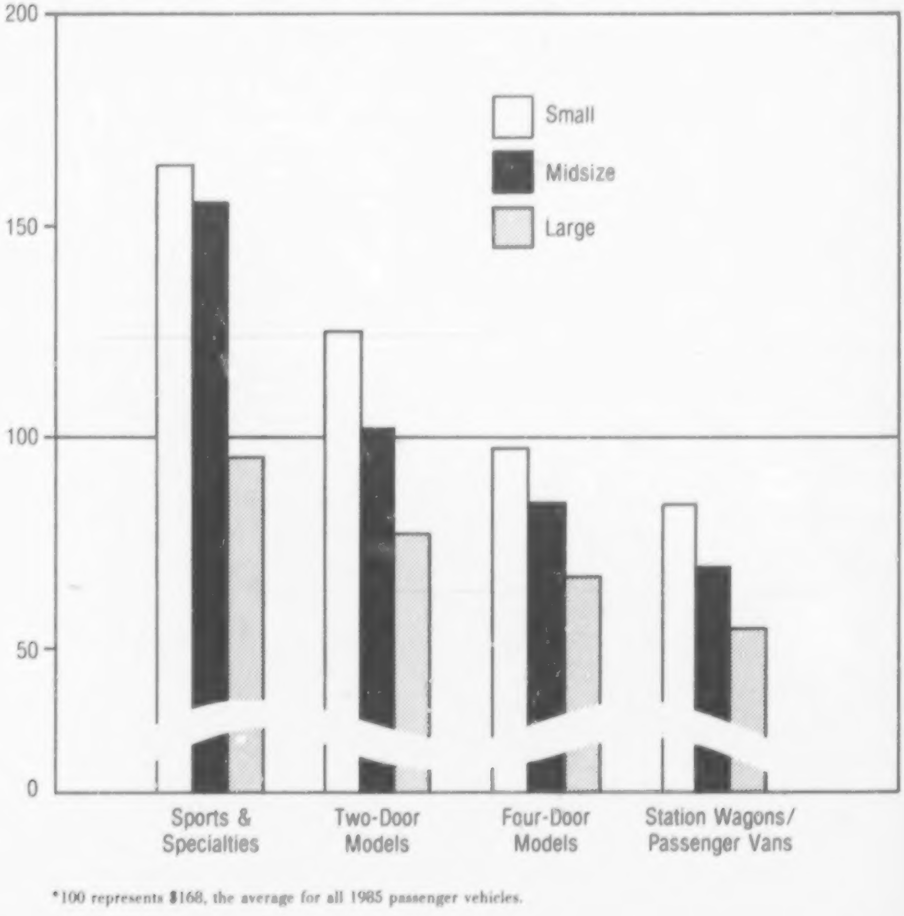
## Relative Average Loss Payments Per Insured Vehicle Year for 1985 Model Year Passenger Vehicles With the Best and the Worst Collision Coverage Results*

| | Best | | | Worst | | |
|---|---|---|---|---|---|---|
| HIGH VOLUME (At least 1% of total exposure) | Dodge Caravan | P.V. | 49 | Chevrolet Camaro | Sp. | 169 |
| | Plymouth Voyager | P.V. | 50 | Ford Mustang | Sp | 139 |
| | Mercury Grand Marquis | 4-Dr. | 53 | Ford Thunderbird | 2-Dr. | 130 |
| | Ford Crown Victoria | 4-Dr. | 58 | Nissan Sentra | 2-Dr. | 128 |
| | Oldsmobile Delta 88 | 4-Dr. | 63 | Chevrolet Cavalier | 2-Dr. | 112 |
| LOW VOLUME (Less than 1% of total exposure) | Mercury Grand Marquis | S.W. | 43 | Volkswagen Scirocco | 2-Dr. | 256 |
| | Dodge Aries | S.W | 47 | Nissan 300ZX | Sp. | 234 |
| | Chevrolet Impala | 4-Dr. | 49 | Nissan 300ZX 2+2 | Sp. | 231 |
| | Plymouth Gran Fury | 4-Dr. | 52 | Pontiac Firebird | Sp. | 208 |
| | Pontiac Parisienne | S.W. | 55 | Toyota Celica Supra | Sp. | 197 |

*100 represents $168, the average for all 1985 passenger vehicles.
(P.V. = Passenger Van; S.W. = Station Wagon; Sp. = Sports or Specialty Car.

Source: Highway Loss Data Institute.

## Collision Coverages
## Relative Average Loss Payments Per Insured Vehicle Year By Car Size and Body Style Group, 1985 Models*



*100 represents $168, the average for all 1985 passenger vehicles.

Source: Prepared by Insurance Information Institute based on data developed by the Highway Loss Data Institute.

## Automobile Personal Injury Insurance Claims, Passenger Cars

Among 1982-84 model passenger cars, large vehicles (station wagons, sports and specialty models and regular four-door models) dominated the list of cars with the best overall record of personal injury claims in auto crashes, according to a 1985 study by the Highway Loss Data Institute (HLDI). As in the past, the study showed that the cars with the worst injury loss experience were predominantly small two-door models, a majority of them foreign-made.

The survey of medical claim frequencies for injuries to occupants of the late-model cars was based on "no-fault" personal injury protection experience in 19 states and the District of Columbia. Claim frequencies were calculated for all medical claims and also for injury claims exceeding $250, $500 and $1,000, using data provided by 13 auto insurers.

The car with the best experience was the Oldsmobile Custom Cruiser station wagon, with an overall claim frequency rate 46 percent below the average for all cars. The Custom Cruiser also had the lowest frequency of claims exceeding $250. The midsize Volvo 240 station wagon had the lowest frequency of claims greater than $500, and the four-door Oldsmobile Delta 88 had the lowest frequency of claims greater than $1,000.

Seventeen cars were found to have at least one claim frequency result that was more than 35 percent better than the result for all cars combined, as shown in the table at the top of the next page. Of the 17 models with the best injury experience, 11 were manufactured in the United States, nine of them by General Motors.

As shown in the second table on the next page, 19 models had at least one claim frequency more than 35 percent worse than the all-car result for any of the claim size categories. Eighteen of the 19 were small models and 13 were imported models, 12 of them from Japan.

The two-door Nissan Pulsar had the highest overall injury claim frequency, 58 percent above average. The two-door Pontiac 1000 had the highest frequency of claims exceeding $250. The Nissan Pulsar and the two-door Chevrolet Chevette had the highest frequency of claims exceeding $500, and the two-door Chevette also had the largest frequency of claims exceeding $1,000.

HLDI noted that claims exceeding $250 represented about half of all claims but accounted for nearly 96 percent of the total dollars in medical payments. Claims in excess of $1,000 accounted for more than 84 percent of the total dollars.

In the exhibits on the next page, tabulations of car models with the best and worst injury loss experience are presented in relative terms, with 100 representing the average claim frequency for all passenger cars.

## 1982-1984 Passenger Cars With the Best Loss Experience, Relative Injury Claim Frequencies, Personal Injury Protection Coverages

| | | | Relative Claim Frequencies By Size of Claim* | | | |
|---|---|---|---|---|---|---|
| Make & Series | Body Style | Car Size** | All | Over $250 | Over $500 | Over $1,000 |
| Oldsmobile Custom Cruiser | Sta. Wgn. | L | 54 | 47 | 47 | |
| Volvo 240 | Sta. Wgn. | M | 56 | 53 | 43 | |
| Mercedes Benz 380 SL Coupe | Spec. | S | 57 | | | |
| Buick Electra | Sta. Wgn. | L | 59 | | | |
| Oldsmobile Delta 88 | 4-Door | L | 59 | 55 | 53 | 51 |
| Mercedes Benz 300SD/380SE | Spec. | L | 60 | 64 | | |
| Buick LeSabre | 4-Door | L | 62 | 61 | 59 | 60 |
| Oldsmobile Ninety Eight | 4-Door | L | 62 | 71 | 73 | 67 |
| Chevrolet Corvette# | Spec. | S | 63 | | | |
| Dodge Caravan# | Sta. Wgn. | L | 63 | | | |
| Jaguar XJ6 | Spec. | L | 63 | | | |
| Mercedes Benz 300D | Spec. | L | 64 | 64 | | |
| Oldsmobile Toronado | Spec. | L | 65 | 58 | 62 | 62 |
| Mercury Grand Marquis | 4-Door | L | 65 | 72 | 68 | 62 |
| Chevrolet Caprice | Sta. Wgn. | L | 69 | 61 | 60 | 58 |
| Saab 900 | 2-Door | S | 70 | 63 | | |
| Oldsmobile Cutlass | 4-Door | M | 76 | 72 | 68 | 64 |

*Numbers reflect the frequency of claims relative to the value 100 which represents the average for all models.

**S (Small): Wheelbase up to 99 inches; M (Midsize): Wheelbase greater than 99 inches to 109 inches; L (Large): Wheelbase greater than 109 inches.

# 1984 models only.

Source: Highway Loss Data Institute.

## 1982-1984 Passenger Cars With the Worst Loss Experience, Relative Injury Claim Frequencies, Personal Injury Protection Coverages

| | | | Relative Claim Frequencies By Size of Claim* | | | |
|---|---|---|---|---|---|---|
| Make & Series | Body Style | Car Size** | All | Over $250 | Over $500 | Over $1,000 |
| Nissan Pulsar## | 2-Door | S | 158 | 148 | 162 | |
| Plymouth Colt | 4-Door | S | 156 | | | |
| Mitsubishi Tredia## | 4-Door | S | 155 | | | |
| Pontiac 1000 | 2-Door | S | 155 | 171 | 161 | |
| Chevrolet Chevette | 2-Door | S | 154 | 163 | 162 | 159 |
| Mitsubishi Cordia## | 2-Door | S | 151 | | | |
| Dodge Colt | 2-Door | S | 149 | 157 | 160 | |
| Plymouth Colt | 2-Door | S | 148 | 159 | 154 | |
| Toyota Starlet | 2-Door | S | 148 | 153 | | |
| Nissan Sentra | 4-Door | S | 145 | 148 | 152 | 158 |
| Dodge Colt | 4-Door | S | 144 | 164 | | |
| Chevrolet Chevette | 4-Door | S | 143 | 151 | 151 | 151 |
| Honda Civic CRX# | Spec. | S | 142 | | | |
| Isuzu T-Car/I-Mark | 4-Door | S | 140 | | | |
| Pontiac 1000 | 4-Door | S | 139 | 145 | 135 | |
| Renault Alliance## | 2-Door | S | 138 | 132 | 137 | |
| Nissan Sentra | 2-Door | S | 137 | 138 | 136 | 129 |
| Mercury Lynx | 2-Door | S | 137 | 136 | 134 | 124 |
| Ford Mustang | Spec. | M | 127 | 129 | 128 | 136 |

*Numbers reflect the frequency of claims for each model relative to the value 100 which represents the average for all models.

** S (Small): Wheelbase up to 99 inches; M (Midsize): Wheelbase greater than 99 inches to 109 inches

# 1984 models only.

## 1983 and 1984 models only.

Source: Highway Loss Data Institute.

## Insured Automobile Theft Losses

Luxury cars and sports cars continue to be favorite targets of automobile thieves, with station wagons having the highest rate of immunity, according to the Highway Loss Data Institute (HLDI). In a report describing variations in the frequency and size of insurance theft losses involving 1983, 1984 and 1985 models, HLDI said sports and specialty cars in each model year accounted for about 15 percent of the total insurance exposure but nearly 50 percent of the dollars paid in theft claims.

The study summarized findings involving theft claims for 1985 model passenger cars during their first year of availability, 1984 models during their first two years and 1983 models during their first three years. It took into account any theft losses paid under the comprehensive portion of automobile insurance policies, including those involving thefts from cars as well as thefts of the vehicles themselves. The study was based on data provided by 13 insurers.

HLDI said European imports generally were shown to have the highest frequency of theft claims, although with many models a relatively low average claim payment suggested that a substantial proportion of the claims is for stolen components rather than total vehicle thefts. The theft of car radios is thought to be a major cause of the high frequency of theft claims involving the European imports, HLDI said.

HLDI said the Volkswagen convertible (the Rabbit in 1983 and 1984; the Cabriolet in 1985) was shown to have by far the highest reported theft claim frequencies, ranging from 11 to 13 times the average for all models combined. For each model year, however, its average payment per claim was only slightly more than one-half the all-car average. The study report listed 10 cars with a relative claim frequency at least five times greater than average in any one of the three model years. Five of the 10 were Volkswagen models, including the 1985 Volkswagen GTI, the only American-made car on the list.

The report listed 11 car models whose theft claim frequency in at least one of the three years was less than one-fifth the average for all cars combined. All 11 are domestic models and all but one are small or mid-size station wagons or four-door models. The 1984 four-door Chevrolet Citation was shown to have the lowest theft claim frequency, a little over one-eighth the all-car frequency. The Citation also had the lowest theft claim frequency among the 1983 models and the four-door Mercury Topaz had the best record among the 1985 models.

Among the individual makes and models summarized in the report, the 1983 Porsche Coupe had the highest average loss payment per insured vehicle year — more than 11 times the all-car average. The Mercedes Benz 380SL Coupe had the highest average loss payment per insured vehicle year among 1984 models; the Cadillac Eldorado the highest among 1985 models.

The 1984 Chevrolet Corvette had by far the highest average loss payment per claim — more than $8,700 as compared to the all-car average of $1,859 in the 1984 model year.

Cars with the lowest average loss payments per insured vehicle year were the Pontiac 2000 station wagon and the Plymouth Reliant station wagon among the 1983 models; the 1984 Mercury Lynx station wagon and the 1985 four-door Mercury Topaz.

HLDI noted that over the three-year period, station wagons and passenger vans represented more than 10 percent of the insurance exposure, but consistently accounted for less than 5 percent of the claims and only about 3 percent of paid theft losses.

The table that follows reflects, for 1985 and 1984 model passenger cars, the findings by car size relative to the results for all vehicles combined, with 100 representing the average for all cars of each model year. Thus, a designation of 41 for 1985 small station wagons and passenger vans means a result which is 59 percent lower than that of all 1985 passenger cars combined.

## Loss Experience Summary by Vehicle Size and Model Year, Theft Losses, 1984-85 Passenger Cars

| | Relative Claim Frequency | | Relative Average Loss Payment per Claim | | Relative Average Loss Payment per Insured Vehicle Year | |
|---|---|---|---|---|---|---|
| Car Size Group | 1985 Models | 1984 Models | 1985 Models | 1984 Models | 1985 Models | 1984 Models |
| **Two-Door Models** | | | | | | |
| Small | 102 | 98 | 63 | 70 | 64 | 69 |
| Midsize | 87 | 86 | 130 | 123 | 113 | 106 |
| Large | 109 | 114 | 90 | 107 | 99 | 122 |
| **Four-Door Models** | | | | | | |
| Small | 84 | 75 | 59 | 60 | 50 | 45 |
| Midsize | 68 | 65 | 74 | 67 | 51 | 44 |
| Large | 92 | 98 | 89 | 93 | 82 | 91 |
| **Station Wagons/Passenger Vans** | | | | | | |
| Small | 41 | 40 | 82 | 68 | 34 | 27 |
| Midsize | 36 | 45 | 44 | 47 | 16 | 21 |
| Large | 38 | 53 | 78 | 83 | 30 | 44 |
| **Sports & Specialty** | | | | | | |
| Small | 180 | 175 | 147 | 168 | 265 | 294 |
| Midsize | 225 | 234 | 126 | 115 | 283 | 270 |
| Large | 209 | 238 | 152 | 152 | 317 | 363 |
| Actual Value of 100 Base | 11.3* | 11.7* | $1,905 | $1,859 | $21.6 | $21.7 |

*Frequencies of claims per 1,000 insured vehicle years.

NOTE: Small cars are defined as vehicles with wheelbases less than 100 inches; midsize cars as vehicles with wheelbases of 100 to 109 inches; large cars as vehicles with wheelbases greater than 109 inches.

Source: Highway Loss Data Institute

## Accidents at Work

The accident record of the nation's work places showed some improvement in 1985 as the number of job-related fatalities declined by about 1 percent despite an increase in the employed labor force. However, the number of injuries rose by more than 5 percent.

Data compiled by the National Safety Council reflect a 2.7 percent decrease in the number of fatalities per 100,000 workers but a 3 percent increase in the injury rate. Both the fatality rate and the injury rate have been declining for several years.

The dollar cost of work accidents increased by 13.6 percent in 1985 to a record $35 billion. While the dollar loss figure of 1985 was about eight times that of 1960 and more than four times that of 1970, the general upward trend should be interpreted in terms of a growing work force (a decline in 1982 was the first since 1975) and a steady diminution in the value of the dollar. Applying these factors in terms of a constant 1967 dollar, the cost of occupational accidents averaged $101.26 per worker in 1985 as compared to $75.36 in 1960 and $87.42 in 1970.

The cost of work accidents includes wages lost and medical expenses, as well as indirect loss resulting from damage to equipment and materials, production delays, time lost by workers not involved in the accident, and the administrative costs of insurance.

### Work Fatalities and Injuries, 1960-1985

| Year | Employed Labor Force (Millions) | Fatalities | Fatalities Per 100,000 Workers | Injuries | Injuries Per 100,000 Workers |
|---|---|---|---|---|---|
| 1960 | 65.8 | 13,800 | 21.0 | 1,950,000 | 2,964 |
| 1970 | 78.7 | 13,800 | 17.5 | 2,200,000 | 2,795 |
| 1975 | 85.8 | 13,000 | 15.2 | 2,200,000 | 2,564 |
| 1980 | 99.3 | 13,200 | 13.3 | 2,200,000 | 2,216 |
| 1981 | 100.4 | 12,500 | 12.5 | 2,100,000 | 2,092 |
| 1982 | 99.5 | 11,900 | 12.0 | 1,900,000 | 1,910 |
| 1983 | 100.8 | 11,700 | 11.6 | 1,900,000 | 1,885 |
| 1984 | 105.0 | 11,700 | 11.1 | 1,900,000 | 1,810 |
| 1985 | 107.2 | 11,600 | 10.8 | 2,000,000 | 1,866 |

Sources: Bureau of Labor Statistics; National Safety Council

### Economic Losses* From Work Accidents, 1960-1985

| Year | Economic Loss | Cost Per Worker 1967 Dollars | Year | Economic Loss | Cost Per Worker 1967 Dollars |
|---|---|---|---|---|---|
| 1960 | $ 4,400,000,000 | $ 75.36 | 1981 | $30,200,000,000 | $110.40 |
| 1970 | 8,000,000,000 | 87.42 | 1982 | 29,400,000,000 | 102.21 |
| 1975 | 14,000,000,000 | 101.33 | 1983 | 31,200,000,000 | 103.66 |
| 1980 | 28,000,000,000 | 114.48 | 1984 | 30,800,000,000 | 94.16 |
| | | | 1985 | 35,000,000,000 | 101.26 |

*Figures do not include direct losses in business fires.

Sources: National Safety Council; Bureau of Labor Statistics Consumer Prices

## Occupational Disease

The growing number of asbestos-related lawsuits and mounting concern over the possible effects of exposure to toxic materials in general have helped to focus attention in recent years on occupational diseases and the way their victims are compensated.

The fundamental insurance coverage which applies is workers' compensation, which provides medical and lost-income benefits to workers who are disabled because of a job-related injury or illness, regardless of fault. In return for a no-fault system of compensation, the worker is barred from filing suit against the employer for injuries or illness growing out of the employer's negligence.

The workers' compensation system was developed early in the twentieth century when the greatest concern was how to compensate for traumatic injuries, such as fractures, lacerations and amputations caused by accidents with machines. Those responsible for providing compensation today face the challenge of trying to adapt the system to the new occupational risks of the latter part of the century.

As recently as 1981, occupational disease cases accounted for only 2.4 percent of all workers' compensation claims. By 1985, that number had risen to 6.3 percent.

The basic problem posed by occupational disease is in the area of long-latency. In the case of workers who contract debilitating diseases as a result of exposure to asbestos fibers, for example, there can be a gap of as much as 40 years between the time of exposure and the emergence of the disease. While the disease sometimes is discovered in less than a year, the average latency period for asbestos-related disease is about nine years.

As a result of the often-long time lag between the exposure and the manifestation of illness, workers' compensation claims sometimes have been barred by statutes of limitation which begin to run at the time of exposure. Moreover, there often has been controversy as to whether benefits should be paid at the levels in effect at the time of exposure or at the generally higher levels in effect when the disease becomes manifest. Also, there have been difficulties in determining at what point in an employee's work history the illness was contracted and who was responsible for the payment of benefits.

In most states, these problems have been carefully addressed, with the insurance industry playing an active role in seeking solutions acceptable to both employers and employees. Most state workers' compensation acts have been amended or interpreted to provide more realistic statutes of limitation, compensation at current benefit levels and more clear-cut identification of the responsible employer.

Some jurisdictions have gone further. For example, the 1984 amendments to the federal Longshore and Harbor Workers' Compensation Act, applicable to maritime employees, provide compensation under some circumstances to workers who develop a disabling occupational disease only after retirement from employment.

The process of refinement is a continuing one. The National Association of Insurance Commissioners' (NAIC) Occupational Disease Advisory Committee report, released in 1985, includes comprehensive recommendations intended to ensure that an adequate and equitable workers' compensation remedy is available for all worthy occupational disease claims.

A further problem is that of causality. Diseases associated with hazardous substances usually are not uniquely related to a single cause. Cancer, for example, may be caused by one or more of many factors, not just by substances found in the work place. The NAIC report recommends increased use of impartial medical experts and panels to address new questions of compensability as they arise.

While it is generally believed that workers' compensation acts provide adequate remedies for employees who seek compensation for occupational diseases, a number of proposals have been made in an effort to resolve the problems involved in compensating for long-term latent diseases of the work place. A report published by a major insurer in 1983 contained recommendations addressing many areas where current statutes tend to bar legitimate claims for occupational disease or lead to lengthy litigation.

A critical issue is whether the present method of setting insurance rates and funding benefits for workers' compensation insurance would be adequate if there were a substantial increase in the number and cost of occupational disease claims. Insurers point out that the pricing of policies which will cover future occupational disease claims is difficult because today's rates generally are based on past claims experience. In the case of long-latent diseases, those rates may not adequately reflect the cost of claims that are filed many years after the policy was issued, when the disease becomes apparent.

After two years of studying occupational disease compensation, the U.S. Chamber of Commerce concluded that the existing mix of fault and no-fault remedies is working to compensate most people injured either in the work place or by products, although changes are needed in both the product liability tort law system and state workers' compensation schemes to deal with work-related illnesses.

Some lawmakers and union leaders, who believe the existing system's response to occupational disease is inadequate, have proposed various alternatives that would involve the federal government in the compensation process. These range from plans that would compensate occupational disease as part of a national health or cancer compensation system to proposals which would provide compensation to victims of a single occupational disease or hazardous product. However, many policymakers oppose the government's involvement on the basis of cost and lack of demonstrated need. Estimates by the Department of Labor put the cost of one proposed program to compensate victims of asbestos at half a trillion dollars over the next 30 years.

The insurance industry also is attacking the problem of high legal costs and long delays in settling liability claims by offering an alternative to the traditional commercial general liability insurance policy — the policy that includes coverage for liability stemming from use of a product. This traditional "occurrence" policy covers a policyholder for injuries or property damage which occur during the period the policy is in force, even if the injury is not obvious at the time. This means that when the symptoms of occupational disease are discovered, before monetary damages can be paid, a determination must be made as to when the injury actually took place.

The new type of commercial general liability policy, called a "claims-made" policy, facilitates the settlement of product liability suits involving long-term latent diseases because the need to establish when the injury occurred no longer is critical. With a claims-made policy, the insurer providing product liability coverage at the time the injury is reported to the manufacturer is liable for payment of the damages.

Occupational disease claims can arise from virtually any occupation. There are about 600 occupational classifications used in writing workers' compensation insurance policies. Each classification is for a specific type of business and has its own premium rate.

The table below shows the various kinds of occupational disease compensated under state workers' compensation programs, their relative frequencies and the average benefit costs per case.

## Occupational Disease Experience*

| Disease | % of All Occupational Disease (O.D.) Claims | Average Indemnity Benefits Per Case | Average Medical Benefits Per Case | Average Total Benefits Per Case |
|---|---|---|---|---|
| Dust Disease | 3.9% | $15,700 | $1,500 | $17,200 |
| Asbestosis | 2.6 | 23,500 | 2,300 | 25,800 |
| Black Lung | 23.0 | 130,800 | 16,600 | 147,400 |
| Byssinosis | 0.2 | 11,300 | 2,400 | 13,700 |
| Silicosis | 2.6 | 38,200 | 2,500 | 40,700 |
| Respiratory Disorder | 19.2 | 6,100 | 1,200 | 7,300 |
| Poisoning, Chemical | 2.7 | 6,600 | 1,700 | 8,300 |
| Poisoning, Metal | 0.9 | 2,600 | 1,300 | 3,900 |
| Dermatitis | 17.3 | 2,100 | 400 | 2,500 |
| Mental Disorders | 8.0 | 8,600 | 1,300 | 9,900 |
| Loss of Hearing | 4.3 | 4,500 | 400 | 4,900 |
| Contagious Diseases | 3.7 | 1,400 | 600 | 2,000 |
| Cancer | 0.7 | 12,200 | 2,000 | 14,200 |
| Other O.D. | 10.9 | 6,500 | 1,000 | 7,500 |
| All O.D. Claims | 100.0% | $36,200 | $4,700 | $40,900 |
| O.D. Claims Excluding Black Lung | | $ 7,400 | $1,100 | $ 8,500 |

*By comparison with the experience in occupational disease cases, the average indemnity cost per case in traumatic injury cases was $3,000, the average medical cost per case was $1,300, and the average total cost per case was $4,300.

Source: National Council on Compensation Insurance, *Workers Compensation Claim Characteristics* (1984).

## Crimes Against Property

The dollar cost of crime continues to run into the billions, and data of the Federal Bureau of Investigation reflected an increase of 5 percent in the overall crime index in 1985.

The FBI said the number of crimes against property, of which business and industry are major victims, increased about 5 percent in 1985. Dollar losses from the crimes of robbery, burglary, larceny and motor vehicle theft rose by nearly 16 percent to $11 billion.

But the overall cost of crime is much higher when other kinds of offenses, including such costly crimes as embezzlement, arson and vandalism, are taken into account.

The FBI said it received complete reports on 86,455 arson offenses in 1985, up from the 1984 total of 82,238, with estimated dollar losses spiralling from $879 million to $1.3 billion. The FBI attributed much of the increase to a single fire causing more than $400 million in damage to industrial and manufacturing structures. (The National Fire Protection Association estimated the cost of incendiary and suspicious fires in 1984 at some $1.42 billion).

The severity of crime's impact on the property/casualty insurance industry is reflected in a 1984 report of the All-Industry Research Advisory Council (AIRAC) showing that increases in crime-related insurance losses were considerably greater than increases in overall incurred losses. AIRAC reported that from 1979 to 1981, overall property and casualty losses increased by 22 percent while crime-related losses jumped by 43 percent, with the homeowners multiple-peril line the hardest hit of all lines.

Major crimes against property reported by the FBI in 1985:
**Robbery:** 497,870 offenses; property loss $313 million.
**Burglary:** 3,073,300 offenses; property loss $2.9 billion.
**Larceny-Theft:** 6,926,400 offenses; property loss $2.7 billion.
**Motor Vehicle Theft:** 1,102,900 offenses; property loss $5.1 billion.

### Crimes Against Property, 1976-1985*

| Year | Robbery | Burglary | Larceny-Theft |
|---|---|---|---|
| 1976 | 427,810 | 3,108,700 | 6,270,800 |
| 1977 | 412,610 | 3,071,500 | 5,905,700 |
| 1978 | 426,930 | 3,128,300 | 5,991,000 |
| 1979 | 480,700 | 3,327,700 | 6,601,000 |
| 1980 | 565,840 | 3,795,200 | 7,136,900 |
| 1981 | 592,910 | 3,779,700 | 7,194,400 |
| 1982 | 553,130 | 3,447,100 | 7,142,500 |
| 1983 | 506,570 | 3,129,900 | 6,712,800 |
| 1984 | 485,010 | 2,984,400 | 6,591,900 |
| 1985 | 497,870 | 3,073,300 | 6,926,400 |

*For additional data on automobile thefts, see Page 97.

Source: Federal Bureau of Investigation.

## Motor Vehicle Thefts

Motor vehicle thefts in the United States increased about 6.8 percent from 1984 to 1985. Decreases were recorded in 11 states, however. Countrywide, the motor vehicle theft rate increased from 609 to 628 per 100,000 registered vehicles.

### Motor Vehicle Registrations and Thefts, 1976-1985

| Year | Motor Vehicle Registrations* | Thefts* | Ratio of Vehicles Stolen/Regist. | Thefts per 100,000 Registrations |
|---|---|---|---|---|
| **1976** | 142,397,000 | 966,000 | 1 in 147 | 678 |
| **1977** | 148,880,000 | 977,700 | 1 in 152 | 657 |
| **1978** | 153,637,000 | 1,004,100 | 1 in 153 | 654 |
| **1979** | 157,226,178 | 1,112,800 | 1 in 141 | 708 |
| **1980** | 161,614,294 | 1,131,700 | 1 in 143 | 700 |
| **1981** | 164,287,643 | 1,087,800 | 1 in 151 | 662 |
| **1982** | 165,298,024 | 1,062,400 | 1 in 156 | 643 |
| **1983** | 167,718,000 | 1,007,900 | 1 in 166 | 601 |
| **1984** | 169,446,281 | 1,032,200 | 1 in 164 | 609 |
| **1985** | 175,709,000** | 1,102,900 | 1 in 159 | 628 |

*Includes motorcycles.

**Preliminary estimate.

Sources: Federal Bureau of Investigation; Federal Highway Administration.

### Motor Vehicle Thefts by States, 1984-1985

| State | 1985 | 1984 | % Change | State | 1985 | 1984 | % Change |
|---|---|---|---|---|---|---|---|
| Alabama | 10,395 | 9,319 | + 11.5 | Missouri | 18,345 | 16,511 | + 11.1 |
| Alaska | 3,159 | 3,144 | + 0.5 | Montana | 2,274 | 2,230 | + 2.0 |
| Arizona | 12,286 | 11,739 | + 4.7 | Nebraska | 2,506 | 2,312 | + 8.4 |
| Arkansas | 4,208 | 3,937 | + 6.9 | Nevada | 4,646 | 4,514 | + 2.9 |
| California | 177,237 | 161,309 | + 9.9 | New Hampshire | 1,982 | 1,843 | + 7.5 |
| Colorado | 13,988 | 12,626 | + 10.8 | New Jersey | 50,237 | 43,179 | + 16.3 |
| Connecticut | 14,007 | 13,336 | + 5.0 | New Mexico | 5,013 | 4,564 | + 9.8 |
| Delaware | 1,700 | 1,596 | + 6.5 | New York | 106,537 | 115,392 | − 7.7 |
| District of Columbia | 5,025 | 4,429 | + 13.5 | North Carolina | 11,950 | 10,990 | + 8.7 |
| Florida | 59,724 | 46,830 | + 27.5 | North Dakota | 810 | 760 | + 6.6 |
| Georgia | 22,050 | 17,060 | + 29.2 | Ohio | 37,896 | 38,976 | − 2.8 |
| Hawaii | 2,980 | 3,635 | − 18.0 | Oklahoma | 18,701 | 15,094 | + 23.9 |
| Idaho | 1,829 | 1,509 | + 21.2 | Oregon | 9,608 | 7,926 | + 21.2 |
| Illinois | 68,160 | 67,407 | + 1.1 | Pennsylvania | 38,904 | 40,444 | − 3.8 |
| Indiana | 18,064 | 19,298 | − 6.4 | Rhode Island | 6,320 | 6,656 | − 5.0 |
| Iowa | 4,423 | 4,610 | − 4.1 | South Carolina | 8,677 | 7,871 | + 10.2 |
| Kansas | 5,301 | 5,041 | + 5.2 | South Dakota | 721 | 772 | − 6.6 |
| Kentucky | 7,198 | 6,709 | + 7.3 | Tennessee | 23,105 | 17,284 | + 33.7 |
| Louisiana | 17,130 | 13,719 | + 24.9 | Texas | 99,528 | 87,799 | + 13.4 |
| Maine | 1,922 | 1,866 | + 3.0 | Utah | 3,893 | 3,745 | + 4.0 |
| Maryland | 20,246 | 17,274 | + 17.2 | Vermont | 877 | 820 | + 7.0 |
| Massachusetts | 50,346 | 48,705 | + 3.4 | Virginia | 11,224 | 10,337 | + 8.6 |
| Michigan | 75,233 | 78,578 | − 4.3 | Washington | 12,739 | 10,761 | + 18.4 |
| Minnesota | 10,980 | 8,600 | + 27.7 | West Virginia | 3,238 | 3,368 | − 3.9 |
| Mississippi | 4,075 | 3,753 | + 8.6 | Wisconsin | 10,582 | 11,203 | − 5.5 |
|  |  |  |  | Wyoming | 883 | 785 | + 12.5 |

Source: Federal Bureau of Investigation.

## Arrests by Age Group

Data compiled by the Federal Bureau of Investigation show that persons from 15 through 24 years of age — and, to a lesser extent, persons in the 25-29 age bracket — are involved in a disproportionately high number of arrests for crimes and offenses which often have a direct impact on losses paid by property and casualty insurers.

FBI records show that a majority of all arrests in 1985 for burglary, robbery, motor vehicle theft and drug abuse were of persons in the 15-24 age group, who together comprised only 16.6 percent of the population. Members of that age group also accounted for nearly half of all arrests for larceny and theft.

Persons under age 20 accounted for about 48.3 percent of all arrests for the crime of arson.

About one of every four arrests for driving while under the influence of intoxicants or drugs involved a person in the 20-24 age group; more than one of every five arrests in that category was of a person in the 25-29 age bracket.

### Arrests, Distribution by Age, Selected Offenses, 1985

| | | Burglary | | Robbery | | Larcency-Theft | |
|---|---|---|---|---|---|---|---|
| Age Group | % of Population | Arrests | % of Total | Arrests | % of Total | Arrests | % of Total |
| **Under 15** | 21.8% | 54,402 | 14.2% | 7,807 | 6.5% | 167,897 | 14.2% |
| **15-19** | 7.8 | 144,711 | 37.9 | 38,894 | 32.3 | 341,764 | 29.0 |
| **20-24** | 8.8 | 81,184 | 21.3 | 32,064 | 26.6 | 210,331 | 17.8 |
| **25-29** | 9.1 | 47,229 | 12.4 | 20,466 | 17.0 | 151,986 | 12.9 |
| **30-34** | 8.5 | 27,148 | 7.1 | 11,166 | 9.3 | 110,059 | 9.3 |
| **35-39** | 7.4 | 13,840 | 3.6 | 5,515 | 4.6 | 69,505 | 5.9 |
| **40-44** | 5.9 | 6,260 | 1.6 | 2,304 | 1.9 | 40,177 | 3.4 |
| **45-49** | 4.9 | 3,095 | 0.8 | 1,014 | 0.8 | 25,725 | 2.2 |
| **50-54** | 4.6 | 1,830 | 0.5 | 556 | 0.5 | 19,587 | 1.7 |
| **55-59** | 4.7 | 1,096 | 0.3 | 316 | 0.3 | 15,411 | 1.3 |
| **60-64** | 4.6 | 572 | 0.1 | 196 | 0.2 | 11,359 | 1.0 |
| **65 & Older** | 12.0 | 508 | 0.1 | 203 | 0.2 | 15,265 | 1.3 |
| **All Ages** | 100.0* | 381,875 | 100.0* | 120,501 | 100.0* | 1,179,066 | 100.0 |

| | Motor Vehicle Theft | | Arson | | Drunk Driving | | Drug Abuse Violations | |
|---|---|---|---|---|---|---|---|---|
| Age Group | Arrests | % of Total | Arrests | % of Total | Arrests | % of Total | Arrests | % of Total |
| **Under 15** | 11,026 | 9.5% | 4,407 | 26.3% | 611 | 0.0% | 13,138 | 1.9% |
| **15-19** | 49,226 | 42.6 | 3,683 | 22.0 | 101,593 | 6.8 | 146,221 | 20.8 |
| **20-24** | 24,439 | 21.1 | 2,484 | 14.8 | 361,608 | 24.1 | 210,509 | 29.9 |
| **25-29** | 14,015 | 12.1 | 1,924 | 11.5 | 322,803 | 21.5 | 155,280 | 22.1 |
| **30-34** | 7,955 | 6.9 | 1,459 | 8.7 | 229,659 | 15.3 | 90,976 | 12.9 |
| **35-39** | 4,245 | 3.7 | 1,033 | 6.2 | 163,182 | 10.9 | 46,052 | 6.6 |
| **40-44** | 2,140 | 1.9 | 620 | 3.7 | 110,499 | 7.4 | 20,117 | 2.9 |
| **45-49** | 1,128 | 1.0 | 443 | 2.6 | 75,857 | 5.0 | 9,287 | 1.3 |
| **50-54** | 664 | 0.6 | 310 | 1.8 | 54,931 | 3.7 | 5,192 | 0.7 |
| **55-59** | 378 | 0.3 | 217 | 1.3 | 38,787 | 2.6 | 3,012 | 0.4 |
| **60-64** | 206 | 0.2 | 107 | 0.6 | 24,378 | 1.6 | 1,808 | 0.3 |
| **65 & Older** | 199 | 0.2 | 90 | 0.5 | 19,411 | 1.3 | 1,290 | 0.2 |
| **All Ages** | 115,621 | 100.0* | 16,777 | 100.0 | 1,503,319 | 100.0* | 702,882 | 100.0 |

*Percentage does not add to total because of rounding.

Source: Federal Bureau of Investigation.

## Aircraft Accidents

Some 1,575 persons died in aircraft accidents in the United States in 1985, 526 of them in accidents involving the nation's major scheduled and non-scheduled airlines.

The major airlines flew a record of 3.4 billion miles during 1985, according to preliminary data from the National Transportation Safety Board. Seven of their 23 accidents resulted in fatalities. In the previous year the airlines had recorded 18 accidents, including one fatal crash which resulted in four deaths.

Commuter carriers improved their accident record in 1985 as the number of crashes dropped to 17 from 21 in 1984, fatal accidents declined from seven to six, and fatalities were down from 48 to 35.

For the second straight year, accidents and fatalities in general aviation (aircraft other than large airlines, commuters and air taxis) reached new lows. The National Transportation Safety Board said preliminary data showed 2,742 accidents involving general aviation, with 490 fatal accidents and 937 fatalities.

On-demand air taxis recorded 153 accidents in 1985, 35 of them resulting in fatalities. The preliminary death toll was set at 77.

### Aircraft Accidents in 1985*

| | Aircraft Hours Flown | Accidents | Fatal Accidents | Fatalities | Accidents per 100,000 Flight Hours |
|---|---|---|---|---|---|
| U.S. Airlines: | | | | | |
| Scheduled | 7,831,000 | 17 | 4 | 197 | 0.217 |
| Non-scheduled | 333,000 | 6 | 3 | 329 | 1.802 |
| Scheduled Commuter Carriers | 1,599,000 | 17 | 6 | 35 | 1.06 |
| Non-Scheduled Air Taxis | 3,131,000 | 153 | 35 | 77 | 4.89 |
| General Aviation | 32,023,000 | 2,742 | 490 | 937 | 8.56 |

*Preliminary data.

Source: National Transportation Safety Board.

### Accidents, Scheduled Airlines, 1981-1985

| Year | Aircraft Hours Flown | Accidents | Fatal Accidents | Fatalities | Accidents per 100,000 Flight Hours |
|---|---|---|---|---|---|
| 1981 | 6,571,288 | 25 | 4 | 4 | 0.380 |
| 1982 | 6,440,163 | 15 | 3 | 233 | 0.233 |
| 1983 | 6,649,009 | 23 | 4 | 15 | 0.346 |
| 1984 | 7,365 435 | 14 | 1 | 4 | 0.190 |
| 1985* | 7,831,000 | 17 | 4 | 197 | 0.217 |

*Preliminary data.

Source: National Transportation Safety Board.

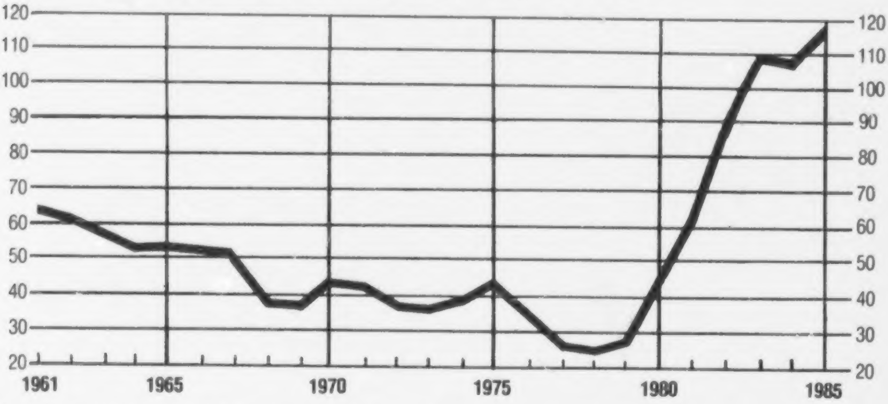
## Business Failure Trends

The number of business failures in the United States rose by nearly 10 percent in 1985, to 57,067 from 52,078 in the previous year. Resulting dollar liabilities jumped from $29.2 billion to $33.4 billion.

Dun & Bradstreet said the failure rate, which had declined slightly in 1984, increased from 107 per 10,000 businesses in that year to 110 in 1985. All 1985 data are preliminary.

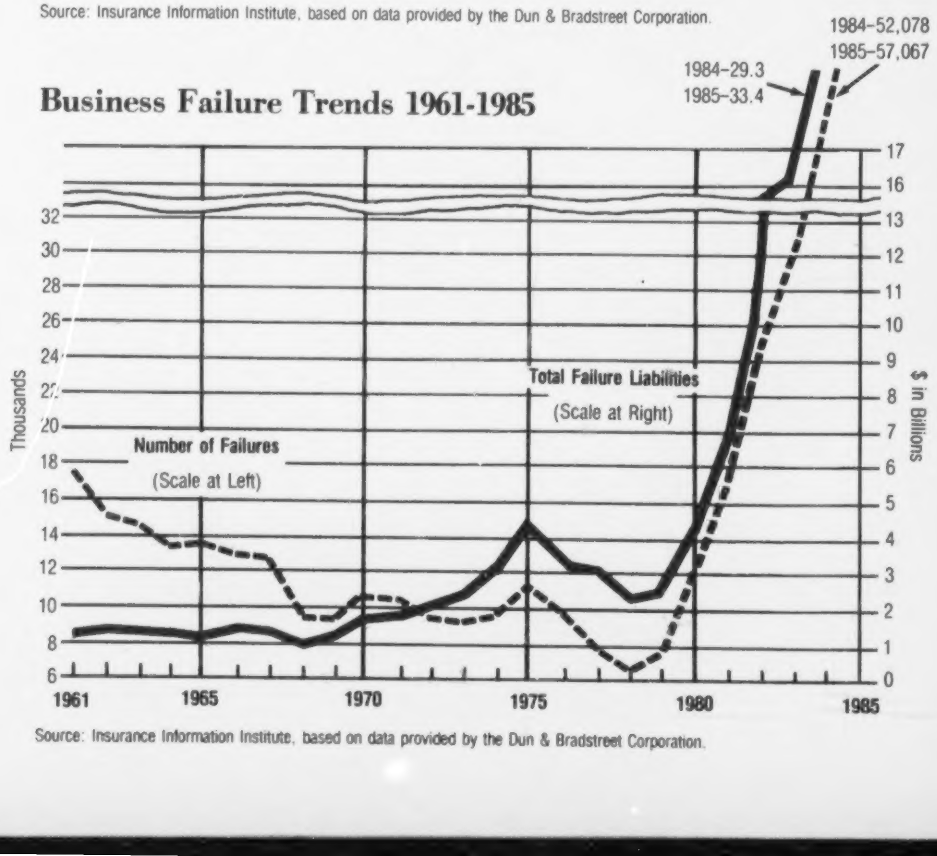
Dun & Bradstreet said a seemingly significant increase in business failures in 1984 (see second graph below) was due at least in part to an expansion of its monitoring procedure to include several kinds of businesses and services not previously tracked.

### Failure Rate Per 10,000 Businesses 1961-1985



Source: Insurance Information Institute, based on data provided by the Dun & Bradstreet Corporation.

### Business Failure Trends 1961-1985



Source: Insurance Information Institute, based on data provided by the Dun & Bradstreet Corporation.

## Health Insurance Benefits

The amount of health insurance benefits paid out annually in the United States totaled more than $214 billion in 1984, with Medicare paying a larger share than any other single category of health care provider. Health insurance benefits paid by Medicare jumped by almost 10 percent from $58.8 billion in 1983 to $64.6 billion in 1984.

Private insurance companies paid some $57.3 billion in health insurance benefits in 1984, up 7 percent from about $53.6 billion in the preceding year.

The following table compares the amounts of health insurance benefits paid in 1983 and 1984 by private insurers and by other guarantors of such benefits, including Medicare and Medicaid in the government sector.

| | 1984 | 1983 | % Change |
|---|---|---|---|
| Private Insurers | $ 57,338,000,000 | $53,581,000,000 | +7.0% |
| Blue Cross, Blue Shield | 35,743,000,000 | 34,398,000,000 | +3.9 |
| Other Plans* | 26,022,000,000 | 24,055,000,000 | +8.2 |
| Private Sector Total** | $108,880,000,000 | $106,001,000,000 | +2.7 |
| Medicare | 64,627,000,000 | 58,821,000,000 | +9.9 |
| Medicaid*** | 40,641,000,000 | 37,704,000,000 | +7.8 |
| Totals | $214,148,000,000 | $202,526,000,000 | +5.7 |

*Includes Health Maintenance Organizations, employer-employee sponsored plans, etc.

**Private sector total eliminates duplications that result from private insurers and the Health Care Financing Administration ("Other Plans") both reporting Administrative Services Only benefits in their data.

***Includes other public assistance programs as well as Medicaid.

Sources: Health Insurance Association of America; U.S. Health Care Financing Administration.

A review by the American Hospital Association disclosed that in 1984 the average cost to hospitals per patient stay ranged from a low of $1,908.65 in Mississippi to highs of $4,674.81 in the District of Columbia and $3,828.19 in Massachusetts. The range on the basis of the average cost to hospitals of a day's stay was from $267.45 in South Dakota to $631.52 in Alaska. Countrywide, the average cost to hospitals per patient day increased 12.9 percent from $369.49 in 1983 to $411.10 in 1984. The average length of a hospital stay dropped slightly from 7.6 to 7.3 days.

### The Cost of Hospitalization and Health Insurance Benefits Paid by Private Insurers

| State | Benefits Paid by Insurance Co's. (in thousands) 1983* | Average Cost to Hospital per Patient Day 1984 | Average Length Hospital Stay in Days 1984 | Average Cost to Hospital per Patient Stay 1984 |
|---|---|---|---|---|
| Alabama | $ 449,000 | $ 349.27 | 6.9 | $2,406.03 |
| Alaska | 95,000 | 631.52 | 5.7 | 3,586.78 |
| Arizona | 414,000 | 525.44 | 6.4 | 3,370.09 |
| Arkansas | 233,000 | 329.70 | 6.3 | 2,060.13 |
| California | 3,942,000 | 602.51 | 6.3 | 3,786.60 |

| State | Benefits Paid by Insurance Co's. (in thousands) 1983* | Average Cost to Hospital per Patient Day 1984 | Average Length Hospital Stay in Days 1984 | Average Cost to Hospital per Patient Stay 1984 |
|---|---|---|---|---|
| Colorado | $ 513,000 | $ 425.49 | 6.9 | $2,931.25 |
| Connecticut | 492,000 | 444.56 | 7.4 | 3,256.05 |
| Delaware | 79,000 | 388.68 | 7.8 | 3,034.74 |
| District of Columbia | 240,000 | 581.00 | 8.0 | 4,674.81 |
| Florida | 1,793,000 | 440.36 | 7.0 | 3,095.74 |
| Georgia | 875,000 | 349.27 | 6.5 | 2,280.08 |
| Hawaii | 55,000 | 383.05 | 8.3 | 3,186.13 |
| Idaho | 79,000 | 351.23 | 6.4 | 2,239.95 |
| Illinois | 2,387,000 | 454.21 | 7.6 | 3,457.71 |
| Indiana | 719,000 | 379.28 | 7.1 | 2,666.67 |
| Iowa | 388,000 | 340.36 | 7.6 | 2,586.67 |
| Kansas | 328,000 | 381.81 | 7.3 | 2,788.73 |
| Kentucky | 309,000 | 332.34 | 6.7 | 2,215.16 |
| Louisiana | 748,000 | 411.02 | 6.1 | 2,526.96 |
| Maine | 134,000 | 368.28 | 7.4 | 2,717.32 |
| Maryland | 501,000 | 395.33 | 7.7 | 3,052.13 |
| Massachusetts | 688,000 | 448.00 | 8.6 | 3,628.19 |
| Michigan | 857,000 | 454.87 | 7.6 | 3,453.97 |
| Minnesota | 554,000 | 335.72 | 8.9 | 2,951.51 |
| Mississippi | 329,000 | 291.27 | 6.6 | 1,908.65 |
| Missouri | 905,000 | 406.46 | 7.5 | 3,034.48 |
| Montana | 91,000 | 284.14 | 8.5 | 2,386.99 |
| Nebraska | 258,000 | 301.67 | 8.5 | 2,569.88 |
| Nevada | 170,000 | 615.44 | 6.1 | 3,776.99 |
| New Hampshire | 109,000 | 368.84 | 6.8 | 2,489.45 |
| New Jersey | 987,000 | 346.00 | 8.0 | 2,762.62 |
| New Mexico | 107,000 | 461.71 | 5.9 | 2,697.89 |
| New York | 2,257,000 | 380.60 | 9.6 | 3,658.07 |
| North Carolina | 640,000 | 330.00 | 7.0 | 2,294.30 |
| North Dakota | 63,000 | 296.93 | 9.0 | 2,677.41 |
| Ohio | 1,438,000 | 428.42 | 7.3 | 3,120.31 |
| Oklahoma | 461,000 | 378.36 | 6.3 | 2,388.67 |
| Oregon | 292,000 | 481.25 | 5.6 | 2,664.97 |
| Pennsylvania | 1,196,000 | 411.38 | 8.0 | 3,274.99 |
| Rhode Island | 56,000 | 412.43 | 7.9 | 3,230.72 |
| South Carolina | 336,000 | 327.77 | 7.3 | 2,390.41 |
| South Dakota | 115,000 | 267.45 | 8.6 | 2,283.58 |
| Tennessee | 631,000 | 345.07 | 6.9 | 2,387.49 |
| Texas | 2,700,000 | 399.40 | 6.3 | 2,505.42 |
| Utah | 162,000 | 499.58 | 5.1 | 2,554.44 |
| Vermont | 46,000 | 315.20 | 7.7 | 2,414.89 |
| Virginia | 534,000 | 357.55 | 7.4 | 2,640.44 |
| Washington | 372,000 | 484.38 | 5.7 | 2,734.38 |
| West Virginia | 214,000 | 343.87 | 6.7 | 2,299.94 |
| Wisconsin | 587,000 | 358.26 | 7.8 | 2,788.36 |
| Wyoming | 76,000 | 364.61 | 5.8 | 2,104.84 |
| Puerto Rico and U.S. Territories | 98,000 | — | — | — |
| Countrywide | $53,581,000 ** | $411.10 | 7.3 | $2,995.38 |
| Previous Year Totals | $49,159,000 ** | $369.49 | 7.6 | $2,808.12 |

*Amounts of benefits paid by private insurers in 1984 not available.

**Includes $21.129 billion for 1983 and $19.533 billion for 1982 in Administrative Service Agreement benefit payments not allocated by state.

Source: Benefits paid by insurance companies, Health Insurance Association of America; other data, American Hospital Association.

# 7. Laws Affecting Motorists

## Automobile Financial Responsibility and Compulsory Laws

Most states have laws, commonly known as financial responsibility laws, under which a person involved in an automobile accident may be required to furnish proof of financial responsibility (usually done in the form of automobile liability insurance) up to certain minimum dollar limits. The provinces of Canada have similar laws. Mexico has no financial responsibility law as such, but requires an auto liability insurance policy written with a Mexican company.

More than half the states have laws requiring registered car owners to have liability insurance or, in some cases, some other approved form of security. These "compulsory" auto insurance laws are in effect in Alaska, Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Vermont, West Virginia and Wyoming. Florida requires its car owners to have first-party "personal injury protection" insurance.

A "compulsory" auto insurance law in South Dakota becomes effective on Jan. 1, 1987. A similar law is scheduled to take effect in Missouri on July 1, 1987.

Every state has either a financial responsibility law or a "compulsory" law. Many have both kinds of statutes. Even where ownership of automobile liability insurance is not compulsory, the existence of the financial responsibility laws, along with the ever-present threat of a financially crippling judgment in the event of an accident, has come to make the possession of automobile liability insurance a virtual necessity for most motorists.

Nevertheless, there are many motorists who are considered doubtful risks or whose poor driving records label them as obviously bad insurance risks. In all states, there are procedures through which such persons are able to obtain coverage. For additional information about these procedures, see "The Automobile Shared Market," Page 42.

# Automobile Financial Responsibility/Compulsory Limits

| State | Liability Limits* |
|---|---|
| Alabama | 20/40/10 |
| Alaska | 50/100/25 |
| Arizona | 15/30/10 |
| Arkansas | 25/50/15 |
| California | 15/30/5 |
| Colorado | 25/50/15 |
| Connecticut | 20/40/10 |
| Delaware | 15/30/10 |
| District of Columbia | 25/50/10 |
| Florida | 10/20/5 |
| Georgia | 15/30/10 |
| Hawaii | 35/unlimited/10 |
| Idaho | 25/50/15 |
| Illinois | 15/30/10 |
| Indiana | 25/50/10 |
| Iowa | 20/40/15 |
| Kansas | 25/50/10 |
| Kentucky | 25/50/10 |
| Louisiana | 10/20/10 |
| Maine | 20/40/10 |
| Maryland | 20/40/10 |
| Massachusetts | 10/20/5 |
| Michigan | 20/40/10 |
| Minnesota | 30/60/10 |
| Mississippi | 10/20/5 |
| Missouri | 25/50/10 |
| Montana | 25/50/5 |
| Nebraska | 25/50/25 |
| Nevada | 15/30/10 |
| New Hampshire | 25/50/25 |
| New Jersey | 15/30/5 |
| New Mexico | 25/50/10 |
| New York | 10/20/5[1] |
| North Carolina | 25/50/10 |
| North Dakota | 25/50/25 |
| Ohio | 12.5/25/7.5 |
| Oklahoma | 10/20/10 |
| Oregon | 25/50/10 |
| Pennsylvania | 15/30/5 |
| Rhode Island | 25/50/10 |
| South Carolina | 15/30/5 |
| South Dakota | 25/50/25 |
| Tennessee | 15/30/10[2] |
| Texas | 20/40/15 |
| Utah | 20/40/10 |
| Vermont | 20/40/10 |
| Virginia | 25/50/10 |
| Washington | 25/50/10 |
| West Virginia | 20/40/10 |
| Wisconsin | 25/50/10 |
| Wyoming | 25/50/20 |
| **CANADA** | |
| Alberta | $200,000 inclusive** |
| British Columbia | $200,000 inclusive** |
| Manitoba | $200,000 inclusive** |
| New Brunswick | $200,000 inclusive** |
| Newfoundland | $200,000 inclusive** |
| Northwest Territories | $50,000 inclusive** |
| Nova Scotia | $200,000 inclusive** |
| Ontario | $200,000 inclusive** |
| Prince Edward Island | $200,000 inclusive** |
| Quebec | $50,000 property damage[3] |
| Saskatchewan | $200,000 inclusive** |
| Yukon | $200,000 inclusive** |

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*The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverage up to $20,000 for all persons injured in an accident, subject to a limit of $10,000 for one individual; and $5,000 coverage for property damage.

**"Inclusive" means that the amount of liability insurance shown is available to settle either bodily injury or property damage claims—or both. When a claim involving both bodily injury and property damage reaches the "inclusive" limit, payment for property damage is limited to $5,000 in Northwest Territories; to $20,000 in British Columbia, Manitoba and Newfoundland, and to $10,000 in the other territories having "inclusive" limits.

[1] 50/100 in cases of wrongful death

[2] 20/40/10 as of Jan. 1, 1987, 25/50/10 as of Jan. 1, 1990.

[3] Quebec has a complete no-fault system for bodily injury claims, scaled down for non-residents in proportion to their degree of fault. The $50,000 limit relates to liability for damage to property in Quebec and to liability for bodily injury and property damage outside Quebec.

Sources: American Insurance Association; Insurance Bureau of Canada.

## "No-Fault" Automobile Insurance

A major change in the biggest single line of property and casualty insurance—automobile insurance—has been in the making since the early 1970s. Widespread dissatisfaction with the operation of the traditional tort liability system, under which recoveries by accident victims of their losses are often dependent upon proving who caused the accident, has led to the adoption of "first-party" laws by about half the states and consideration of similar action by most of the other states.

A number of states have enacted laws mandating the purchase of auto liability insurance and a form of "no-fault" insurance which permits accident victims to recover such financial losses as medical and hospital expenses and lost income from their own insurance companies. Most of those states also have some restrictions on the right to sue. Several other state laws make optional the purchase of "first party" coverages up to specified minimum limits.

Among the states which have adopted forms of "no-fault" auto insurance, the major variations involve: dollar limits on medical and hospital expenses (unlimited in some states), funeral and burial expenses, lost income and the amount to be paid a person hired to perform essential services that an injured non-income producer is unable to perform; also, conditions governing the right to sue which usually include death, serious injury and a point at which medical expenses reach a stipulated amount.

Jurisdictions which have forms of "first-party" auto insurance and the dates on which the laws originally became effective, follow.

Compulsory first-party/liability insurance; some restrictions on lawsuits

Colorado, April 1, 1974
Connecticut, January 1, 1973
Georgia, March 1, 1975
Hawaii, September 1, 1974
Kansas, January 1, 1974
Kentucky, July 1, 1975
Massachusetts, January 1, 1971
Michigan, October 1, 1973
Minnesota, January 1, 1975
New Jersey, January 1, 1973
New York, February 1, 1974
North Dakota, January 1, 1976
Utah, January 1, 1974

Compulsory first-party, optional liability insurance; some restrictions on lawsuits

Florida, January 1, 1972
Puerto Rico, 1970

Compulsory first-party and liability insurance; no restrictions on lawsuits

Delaware, January 1, 1972
Maryland, January 1, 1973
Oregon, January 1, 1972
Pennsylvania, October 1, 1984*

Compulsory liability, optional first-party insurance; no restrictions on lawsuits

District of Columbia, June 3, 1986**
South Carolina, October 1, 1974
Texas, June 17, 1981

Insurance not compulsory; first-party benefits optional, no restrictions on lawsuits

Arkansas, July 1, 1974
New Hampshire, October 1, 1971
South Dakota, January 1. 1972
Virginia, January 1, 1972

*Pennsylvania's "no-fault" law, which originally included some restrictions on lawsuits, has been in effect since July, 1975.

**The District's original "no-fault" law, which included some restrictions on lawsuits, had been in effect since Oct. 1, 1983.

Source: American Insurance Association

# 8. General Information

## The Regulation of Insurance

The business of property and casualty insurance is subject to two powerful forms of control: a high intensity of competition among insurance companies and strict regulation state by state.

The degree of competition is reflected by the fact that in a field which is served by more than 3,400 companies, no single company or group has more than 10 percent of the property/casualty insurance market. The 10 largest organizations combined had 38.1 percent of the market in 1985.

As a business which is inherently linked with the public interest, property and casualty insurance is closely regulated by designated authorities in every state and in other jurisdictions. Also, certain insurer activities are subject to regulation by federal agencies.

In essence, the basic charge to which the state regulatory authorities are committed is to assure the continued solvency of each company in order that it might be ready to discharge its obligation to policyholders, to ascertain that customers are neither overcharged nor unfairly discriminated against, and to regulate the business in a way that will encourage the companies to make essential insurance protection as readily available to the public as practicable.

The procedures for reviewing and effectuating property and casualty rates include, in many states, the requirement that rates be approved in advance by the regulator. In a number of other states, rate changes generally may be made without prior approval. In those states, rates are subject to the forces of competition among insurers and to subsequent review by the regulator to assure that they are not inadequate, excessive or unfairly discriminatory.

Greater reliance on price competition is the objective of a model rating law adopted in December 1980 by the National Association of Insurance Commissioners, the organization of state regulators. With some variations, the NAIC followed recommendations of an advisory committee of insurance buyers, consumer representatives and insurance people, which had been charged with studying the merits of competitive pricing. The committee pointed to "properly structured" price competition as "the most effective way to assure the availability of property/casualty insurance at costs that are fair, reasonable and not excessive."

## The State Insurance Commissioners

**Alabama:** Michael DeBellis, Commissioner of Insurance, 135 South Union St., Montgomery, Ala. 36130-3401. Tel. 205-269-3550.

**Alaska:** John L. George, Director of Insurance, P.O. Box "D", Juneau, Alaska 99811. Tel. 907-465-2515.

**Arizona:** S. David Childers, Director of Insurance, 801 E. Jefferson, Phoenix, Ariz. 85007. Tel. 602-255-5440.

**Arkansas:** Robert M. Eubanks, III, Insurance Commissioner, 400 University Tower Building, 12th and University Streets, Little Rock, Ark. 72204. Tel. 501-371-1325.

**California:** Roxani Gillespie, Insurance Commissioner, 600 South Commonwealth, 14th Floor, Los Angeles, Calif. 90005. Tel. 213-736-2551.

**Colorado:** John Kezer, Commissioner of Insurance, 303 W. Colfax Ave., Fifth Floor, Denver, Colo. 80204. Tel. 303-866-3201.

**Connecticut:** Peter W. Gillies, Insurance Commissioner, 165 Capitol Ave., State Office Bldg., Hartford, Conn. 06106. Tel. 203-566-5275.

**Delaware:** David N. Levinson, Insurance Commissioner, 21 The Green, Dover, Del. 19901. Tel. 302-736-4251.

**District of Columbia:** Margurite C. Stokes, Superintendent of Insurance, 614 H St., N.W., Suite 512, Washington, D.C. 20001. Tel. 202-727-7419.

**Florida:** William D. Gunter, Insurance Commissioner, State Capitol, Plaza Level 11, Tallahassee, Fla. 32301. Tel. 904-488-3440.

**Georgia:** Warren D. Evans, Insurance Commissioner, 2 Martin L. King, Jr. Dr., Floyd Memorial Building, 704 West Tower, Atlanta, Ga. 30334. Tel. 404-656-2056.

**Guam:** David J. Santos, Insurance Commissioner, P.O. Box 2796, Agana, Guam 96910. Tel. 011-671-477-7731.

**Hawaii:** Mario R. Ramil, Insurance Commissioner, P.O. Box 3614, Honolulu, Hawaii 96811. Tel. 808-548-5450.

**Idaho:** Wayne L. Soward, Director of Insurance, 700 W. State St., Boise, Idaho 83720. Tel. 208-334-2250.

**Illinois:** John E. Washburn, Director of Insurance, 320 W. Washington St., 4th Floor, Springfield, Ill. 62767. Tel. 217-782-4515.

**Indiana:** Harry E. Eakin, Commissioner of Insurance, 509 State Office Building, Indianapolis, Ind. 46204. Tel. 317-232-2386.

**Iowa:** William D. Hager, Commissioner of Insurance, Lucas State Office Building, G23, Des Moines, Iowa, 50319. Tel. 515-281-5705.

**Kansas:** Fletcher Bell, Commissioner of Insurance, 420 South West Ninth St., Topeka, Kan. 66612. Tel. 913-296-3071.

**Kentucky:** Gilbert McCarty, Insurance Commissioner, 229 West Main St., P.O. Box 517, Frankfort, Ky. 40602. Tel. 502-564-3630.

**Louisiana:** Sherman A. Bernard, Commissioner of Insurance, 950 North 5th St., Baton Rouge, La. 70801. Tel. 504-342-5328.

**Maine:** Theodore T. Briggs, Superintendent of Insurance, State Office Building, State House, Station 34, Augusta, Maine 04333. Tel. 207-289-3101.

**Maryland:** Edward J. Muhl, Insurance Commissioner, 501 St. Paul Pl., 7th Floor South, Baltimore, Md. 21202. Tel. 301-659-2520.

**Massachusetts:** Peter Hiam, Commissioner of Insurance, 100 Cambridge St., Boston, Mass. 02202. Tel. 617-727-3333.

**Michigan:** Herman W. Coleman, Insurance Commissioner, P.O. Box 30220, 611 West Ottawa St., Lansing, Mich. 48933. Tel. 517-373-9273.

**Minnesota:** Michael A. Hatch, Commissioner of Commerce, 500 Metro Square Building, 5th Floor, St. Paul, Minn. 55101. Tel. 612-296-6907.

**Mississippi:** George Dale, Commissioner of Insurance, 1804 Walter Sillers Building, P.O. Box 79, Jackson, Miss. 39205. Tel. 601-359-3569.

**Missouri:** Lewis R. Crist, Director of Insurance, 301 W. High St. 6 North, P.O. Box 690, Jefferson City, Mo. 65102. Tel. 314-751-2451.

**Montana:** Andrea Bennett, Commissioner of Insurance, 126 North Sanders, Mitchell Building, P.O. Box 4009, Helena, Mont. 59601. Tel. 406-444-2040.

**Nebraska:** Michael J. Dugan, Director of Insurance, State Capitol Building, 301 Centennial Mall South, P.O. Box 94699, Lincoln, Neb. 68509. Tel. 402-471-2201. Ext. 238.

**Nevada:** David A. Gates, Commissioner of Insurance, Nye Building, 201 South Fall St., Carson City, Nev. 89710. Tel. 702-885-4270.

**New Hampshire:** Louis E. Bergeron, Insurance Commissioner, 169 Manchester St., P.O. Box 2005, Concord, N.H. 03301. Tel. 603-271-2261.

**New Jersey:** Kenneth D. Merin, Commissioner of Insurance, 201 East State St., Trenton, N.J. 08625. Tel. 609-292-5363.

**New Mexico:** Vicente B. Jasso, Superintendent of Insurance, PERA Building, P.O. Drawer 1269, Sante Fe, N.M. 87501. Tel. 505-827-4535.

**New York:** James P. Corcoran, Superintendent of Insurance, 160 W. Broadway, New York, N.Y. 10013. Tel. 212-602-0429.

**North Carolina:** James E. Long, Commissioner of Insurance, Dobbs Building, P.O. Box 26387, Raleigh, N.C. 27611. Tel. 919-733-7343.

**North Dakota:** Earl R. Pomeroy, Commissioner of Insurance, Capitol Building, Fifth Floor, Bismarck, N.D. 58505. Tel. 701-224-2440.

**Ohio:** George Fabe, Director of Insurance, 2100 Stella Court, Columbus, Ohio 43266-0566. Tel. 614-466-3584.

**Oklahoma:** Gerald Grimes, Insurance Commissioner, 1901 N. Walnut St., Oklahoma City, Okla. 73105. Tel. 405-521-2828.

**Oregon:** Josephine M. Driscoll, Insurance Commissioner, 158 12th St., N.E., Salem, Ore. 97310 Tel. 503-378-4271.

**Pennsylvania:** George F. Grode, Insurance Commissioner, Strawberry Square, 13th Floor, Harrisburg, Pa. 17120. Tel. 717-787-5173.

**Puerto Rico:** Juan Antonio Garcia, Commissioner of Insurance, Fernandez Juncos Station, P.O. Box 8330, Santurce, P.R. 00910. Tel. 809-722-8686.

**Rhode Island:** Mark Pfeiffer, Insurance Commissioner, 100 North Main St., Providence, R.I. 02903. Tel. 401-277-2246.

**South Carolina:** John G. Richards V, Chief Insurance Commissioner, 2711 Middleburg Dr., P.O. Box 4067, Columbia, S.C. 29204. Tel. 803-758-3266.

**South Dakota:** Susan L. Walker, Director of Insurance, Capitol Building, Pierre, S.D. 57501. Tel. 605-773-3563.

**Tennessee:** William Inman, Commissioner of Insurance, 1808 West End Ave., 14th Floor, Nashville, Tenn. 37219. Tel. 615-741-2241.

**Texas:** Doyce R. Lee, Commissioner of Insurance, 1110 San Jacinto Blvd., Austin, Tex, 78701-1998. Tel. 512-463-6464.

**Utah:** Harold C. Yancey, Commissioner of Insurance, P.O. Box 45803, Salt Lake City, Utah 84145. Tel. 801-530-6400.

**Vermont:** Thomas P. Menson, Commissioner of Insurance, State Office Building, 120 State St., Montpelier, Vt. 05602. Tel. 802-828-3301.

**Virgin Islands:** Julio A. Brady, Commissioner of Insurance, P.O. Box 450, Charlotte Amalie, St. Thomas, Virgin Islands 00801. Tel. 809-774-2991.

**Virginia:** James M. Thomson, Commissioner of Insurance, 700 Jefferson Building, P.O. Box 1157, Richmond, Va. 23209. Tel. 804-786-3741.

**Washington:** Richard G. Marquardt, Insurance Commissioner, Insurance Building, AQ21, Olympia, Wash. 98504. Tel. 206-753-7301.

**West Virginia:** Fred E. Wright, Insurance Commissioner, 2100 Washington St., East, Charleston, W.Va. 25305. Tel. 304-348-3394.

**Wisconsin:** Thomas P. Fox, Commissioner of Insurance, 123 W. Washington Ave., Madison, Wis. 53702. Tel. 608-266-0102.

**Wyoming:** Gordon W. Taylor, Insurance Commissioner, Herschler Building, 122 W. 25th St., Cheyenne, Wyo. 82002. Tel. 307-777-7401.

# Definitions

**Insurance:** A system under which individuals, businesses and other organizations or entities, in exchange for payment of a sum of money (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions.

**Property Insurance:** Insurance providing financial protection against the loss of, or damage to, real and personal property caused by such perils as fire, theft, windstorm, hail, explosion, riot, aircraft, motor vehicles, vandalism, malicious mischief, riot and civil commotion, and smoke.

**Casualty Insurance:** Insurance concerned primarily with the insured's legal liability for injuries to others or for damage to other persons' property; also encompasses such forms of insurance as plate glass, burglary, robbery and workers' compensation.

**Liability Insurance:** Insurance covering the policyholder's legal liability resulting from injuries to other persons or damage to their property.

**Life Insurance:** Insurance providing for payment of a specified amount on the insured's death, either to his or her estate or to a designated beneficiary; or in the case of an endowment policy, to the policyholder at a specified date.

**Accident and Health Insurance:** A type of coverage that pays benefits, sometimes including reimbursement for loss of income, in case of sickness, accidental injury or accidental death.

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**Actual Cash Value:** In many insurance policies, the amount awarded for physical damage losses; commonly defined as replacement cost less depreciation.

**Agent:** The *independent agent* is an independent business person who usually represents two or more insurance companies in a sales and service capacity and who is paid on a commission basis. The *exclusive agent* represents only one company, usually on a commission basis. The *direct writer* is the salaried or commissioned employee of a single company.

**Allied Lines:** A term for forms of insurance allied with property insurance, covering such perils as sprinkler leakage, water damage and earthquake.

**Arson:** The willful and malicious burning of, or attempt to burn, any structure or other property, often with criminal or fraudulent intent.

**Assets:** As applicable to insurance, all funds, property, goods, securities, rights of action or resources of any kind owned by an insurance company, less such items as are declared nonadmissable for accounting purposes by state laws, including deferred or overdue premiums.

**Automobile Insurance Plan:** One of several types of "shared market" mechanisms used to make automobile insurance available to persons who are unable to obtain such insurance in the regular market.

**Automobile Liability Insurance:** Protection for the insured against financial loss because of legal liability for car-related injuries to others or damage to their property.

**Automobile Physical Damage Insurance:** Coverage to pay for damage to or loss of policyholder's automobile resulting from collision, fire, theft, or other perils.

**Automobile Reinsurance Facility:** One of several types of "shared market" mechanisms used to make automobile insurance available to persons who are unable to obtain such insurance in the regular market.

**Automobile Shared Market:** A program in which all automobile insurers in each state and the District of Columbia participate to make coverage available to car owners who are unable to obtain auto insurance in the regular market. Except in Maryland, which operates a state-funded mechanism whose losses are subsidized by private insurers, each state uses one of three systems (an automobile insurance plan, a joint underwriting association or a reinsurance facility) to guarantee the availability of automobile insurance.

**Aviation Insurance:** Insurance pertaining to aircraft, including coverage of aircraft or their contents, the owner's liability or accident insurance on the passengers.

**Boiler and Machinery Insurance:** Coverage for loss arising out of the operation of pressure, mechanical and electrical equipment. It covers loss of the boiler and machinery itself, damage to other property, and business interruption losses.

**Broker:** A marketing specialist who represents buyers of property and liability insurance and who deals with either agents or companies in arranging for the coverage required by the customer.

**Burglary:** Breaking and entering into another person's property with felonious intent.

**Burglary and Theft Insurance:** Coverage against property losses due to burglary, robbery or larceny.

**Business Interruption Insurance:** Protection for a business owner against losses resulting from a temporary shutdown because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses.

**Catastrophe:** In insurance, a term applied to an incident or series of related incidents causing insured property losses totaling more than $5 million.

**Claim:** A demand to recover under an insurance policy for a loss covered by that policy.

**Coinsurance:** A provision in an insurance policy under which the insured agrees to carry a certain amount of insurance expressed as a percentage of the value of the property. It provides for the full payment, up to the amount of the policy, of all losses if the insurance carried is at least equal to the specified percentage. If the insured fails to carry the necessary amount of insurance, he or she assumes a proportionate share of the loss.

**Collision Insurance:** An automobile insurance coverage against damage to the policyholder's vehicle caused by collision with another car or object or by upset.

**Combined Ratio:** Basically, a measure of the relationship between dollars paid out in claims and expenses and dollars taken in in premiums; more specifically, the sum of the ratio of losses incurred to premiums earned and the ratio of commissions and expenses incurred to premiums written.

**Commercial Lines:** Insurance for businesses, organizations, institutions, governmental agencies or other commercial establishments.

**Commercial Multiple Peril Policy:** A package type of insurance that includes a wide range of essential coverages for the commercial establishment.

**Commissioner:** A state officer for administering the state's insurance laws and regulations. In some states, the regulator bears the title of director or superintendent of insurance.

**Comprehensive Personal Liability Insurance:** Protection for an insured against loss arising out of legal liability to pay money for damage or injury to others for which the insured is responsible. Does not include automobile liability or business operations.

**Compulsory Insurance:** Any form of insurance which is required by law.

**Coverage:** The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

**Credit Insurance:** A guarantee to manufacturers, wholesalers and service organizations that they will be paid for goods shipped or services rendered. Applies to that part of working capital which is represented by accounts receivable.

**Crop-Hail Insurance:** Protection against damage to growing crops as a result of hail or certain other named perils.

**Deductible:** An amount which a policyholder agrees to pay, per claim or per accident, toward the total amount of an insured loss. Insurance is written on this basis at reduced rates.

**Dividend:** (1) An amount returned to a policyholder by an insurance company out of its earnings. (2) In capital stock companies, a share of profits distributed to stockholders.

**Earned Premium:** The portion of a premium which is the property of an insurance company, based on the expired portion of the policy period.

**Earthquake:** A trembling or shaking of the earth, often resulting in severe damage.

**Economic Loss:** The estimated total cost, both insured and uninsured, of mishaps (such as motor vehicle accidents, work accidents and fires). Includes such factors as property damage; medical, hospital and legal costs; funeral expenses; wage loss, and insurance administrative costs.

**Embezzlement:** Fraudulent use or taking of another's property or money which has been entrusted to one's care.

**Extended Coverage Insurance:** Protection for the insured against property damage caused by windstorm, hail, smoke, explosion, riot, riot attending a strike, civil commotion, vehicle and aircraft. This is provided in conjunction with the fire insurance policy and the various "package" policies.

**FAIR Plan:** A facility, operating under a government-insurance industry cooperative program, to make fire insurance and other forms of property insurance readily available to persons who have difficulty obtaining such coverage.

**Farmowners-Ranchowners Policy:** A package policy for a farm or a ranch, providing property and liability coverages against both personal and business losses.

**Federal Crime Insurance:** Insurance against burglary, larceny and robbery losses offered by the federal government where the Federal Insurance Administration has determined that an insurance availability problem exists.

**Fidelity Bond:** A form of protection which reimburses an employer for losses caused by dishonest or fraudulent acts of employees.

**Financial Responsibility Law:** A state law under which a person involved in an automobile accident may be required to furnish security up to certain minimum dollar limits.

**Fire Insurance:** Coverage for losses caused by fire and lightning, plus resultant damage caused by smoke and water.

**Flood Insurance:** Coverage against loss resulting from the flood peril.

**General Liability Insurance:** Coverage that pertains, for the most part, to claims arising out of the insured's liability for injuries or damage caused by ownership of property, manufacturing operations, contracting operations, sale or distribution of products, and the operation of elevators and the like, as well as professional services.

**Glass Insurance:** Protection for loss of or damage to glass and its appurtenances.

**Group Insurance:** Any insurance plan under which a number of persons and their dependents are insured under a single policy, issued to their employer or to an association with which they are affiliated.

**Guaranty Fund:** A fund, derived from assessments against solvent insurance companies, to absorb losses of claimants against insolvent companies.

**Health Insurance:** Insurance against financial losses resulting from sickness or accidental bodily injury.

**Homeowners Policy:** A package type of insurance providing home owners with a broad range of property and liability coverages.

**Hurricane:** A tropical storm with a wind velocity of 75 or more miles an hour.

**Inland Marine Insurance:** A broad form of insurance, generally covering articles that may be transported from one place to another as well as bridges, tunnels and other instrumentalities of transportation and communication. It includes goods in transit (generally excepting trans-ocean) as well as numerous "floater" policies such as those covering personal effects, personal property, jewelry, furs, fine arts and others.

**Insurance Company:** An organization chartered to operate as an insurer.

**Insured:** Person or organization covered by an insurance policy, including the "named insured" and any other parties for whom protection is provided under the policy terms.

**Investment Income:** The portion of a company's income which is derived from its investments, including interest and dividends on stocks and bonds.

**Joint Underwriting Association:** One of several types of "shared market" mechanisms used to make automobile insurance available to persons who are unable to obtain such insurance in the regular market. JUAs also have been created in some states to help alleviate availability problems in the fields of medical malpractice and commercial insurance.

**Larceny-Theft:** The unlawful taking, carrying, leading or riding away of another person's property.

**Liability:** Any legally enforceable obligation.

**Liability Limits:** The stipulated sum or sums beyond which an insurance company is not liable to protect the insured.

**Loss:** The basis on which an insurance claim is submitted and/or paid.

**Malpractice Insurance:** Coverage for a professional practitioner, such as a doctor or a lawyer, against liability claims resulting from alleged malpractice in the performance of the insured's services.

**Marine Insurance:** A form of insurance primarily concerned with instruments of transportation and communication, and with goods in transit. See also Inland Marine Insurance and Ocean Marine Insurance.

**Medical Payments Insurance:** A coverage, available in various liability insurance policies, in which the insurer agrees to reimburse the insured and others, without regard for the insured's liability, for medical or funeral expenses incurred as the result of bodily injury or death by accident under specified conditions.

**Net Underwriting Profit or Loss:** Statutory underwriting profit less (or loss plus) dividends to policyholders.

**No-fault Automobile Insurance:** A form of insurance by which a person's financial losses resulting from an automobile accident, such as medical and hospital expenses and loss of income, are paid by his or her own insurer regardless of who was at fault.

**Ocean Marine Insurance:** Coverage for sea-going vessels, including liabilities connected with them, and their cargoes.

**Package Policy:** A single insurance policy that includes several coverages.

**Peril:** The cause of a loss insured against in a policy.

**Personal Lines:** Those types of insurance, such as auto or home insurance, for individuals or families rather than for businesses or organizations.

**Policy:** A contract of insurance:

**Policyholder:** A person who pays a premium to an insurance company in exchange for the insurance protection provided by a policy of insurance.

**Policyholder's Surplus:** Sum left after liabilities are deducted from assets. Sums such as paid-in capital and special voluntary reserves are also included in this term. This surplus is an additional financial protection to policyholders in the event a company suffers unexpected or catastrophic losses. In effect, it is the financial base that permits a company to sell insurance.

**Pool:** An organization of insurers or reinsurers through which particular types of risk are underwritten with premiums, losses and expenses shared in agreed-upon amounts.

**Premium:** The sum paid for an insurance policy. *Net premiums written* represent premium income retained by insurance companies, direct or through reinsurance, less payments made for business reinsured. *Direct written premiums* are the amounts actually paid by policyholders.

**Premium Tax:** A tax, imposed by each state, on gross income of insurers doing business in a state.

**Product Liability Insurance:** Protection against financial loss arising out of the legal liability incurred by a manufacturer, merchant or distributor because of injury or damage resulting from the use of a covered product.

**Rate:** The pricing factor upon which the insurance buyer's premium is based.

**Regulation:** Supervision of business practices by a governmental entity.

**Reinsurance:** Assumption by one insurance company of all or part of a risk undertaken by another insurance company.

**Reserve:** (1) An amount representing actual or potential liabilities kept by an insurer to cover obligations to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.

**Risk:** The chance of loss. Also used to refer to the insured or to property covered by a policy.

**Robbery:** The taking of property from a person by force or by threat of violence.

**State Fund:** A fund set up by a state government to provide insurance. Some statutes permit, others exclude, competition by private insurers.

**Statutory Underwriting Profit or Loss:** Premiums earned less losses and expenses.

**Surety Bond:** An agreement providing for monetary compensation in the event of a failure to perform specified acts within a stated period. The surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults.

**Surplus Lines:** (1) A risk or a part of a risk for which there is no normal insurance market available. (2) Insurance written by non-admitted insurance companies.

**Tornado:** A whirling wind, accompanied by a funnel-shaped cloud, very violent and destructive in a narrow path, often for many miles over the land.

**Tort:** A wrongful act, resulting in injury or damage, on which a civil action may be based. Does not apply to a breach of contract.

**Umbrella Liability:** Covers losses in excess of amounts covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability policies.

**Underwriting:** The process of selecting risks for insurance and determining in what amounts and on what terms the insurance company will accept the risk.

**Underwriting Profit or Loss:** The amount of money which an insurance company gains or loses as a result of its underwriting operations. A net gain or loss on underwriting operations represents a company's statutory underwriting profit less (or loss plus) any amount it may pay to its policyholders in the form of dividends.

**Unearned Premium:** The portion of a premium that a company has collected but has yet to earn because the policy still has unexpired time to run.

**Uninsured Motorist Protection:** A form of insurance which covers the policyholder and family members if injured by a hit-and-run motorist or a driver who carries no liability insurance, assuming the other driver is at fault.

**Workers' Compensation Insurance:** A method of providing for the cost of medical care and weekly payments to injured employees or to dependents of those killed in industry, regardless of blame.

## Insurance and Service Organizations

The following are among the national organizations of or supported by insurance companies, or whose activities are closely related to insurance. National and state organizations which subscribe to the services of the Insurance Information Institute are identified by an asterisk(*).

**Alliance of American Insurers**, Franklin W. Nutter, president, 1501 Woodfield Rd., Suite 400 West, Schaumburg, Ill. 60195-4980. Tel. 312-490-8500. Trade association to facilitate cooperation among fire and casualty insurance companies in matters of concern to them and their policyholders.

**All-Industry Research Advisory Council**, Donald W. Segraves, executive director, 1200 Harger Rd., Suite 222, Oakbrook, Ill. 60521. Tel. 312-920-1177. Provides the public and the insurance industry with timely research information relevant to public policy issues affecting risk and insurance.

**American Association of Insurance Services**, Robert M. Rylko, president and chief executive officer, 1035 S. York Rd., Bensenville, Ill. 60106. Tel. 312-595-3225. Rating, statistical and advisory organization for personal and commercial lines of insurance with membership composed principally of small and medium size companies.

**American Association of Managing General Agents**, Randy Dyer, executive vice president, 1001 Connecticut Ave., N.W., Suite 800, Washington, D.C. 20005. Tel. 202-223-0388. Managing general agents of insurance companies.

**American Council of Life Insurance**, Richard S. Schweiker, president, 1850 K St., N.W., Washington, D.C. 20006. Tel. 202-862-4000. Trade association responsible for the public relations, government, legislative and research aspects of the life insurance business.

***American Institute of Marine Underwriters**, Ward L. Mauck, president, 14 Wall St., New York, N.Y. 10005. Tel. 212-233-0550. Provides information of interest to marine underwriters, and promotes the interest of those underwriters.

**American Institute for Property and Liability Underwriters, Inc.**, Edwin S. Overman, Ph.D., CPCU, president, 720 Providence Rd., Malvern, Pa. 19355-0770. Tel. 215-644-2100. Developed the Chartered Property Casualty Underwriter (CPCU) professional designation program and administers national CPCU examinations.

**American Insurance Association**, Robert E. Vagley, president, 85 John St., New York, N.Y. 10038. Tel. 212-669-0400. Trade and service organization of the property and casualty insurance industry; provides a forum for the discussion of problems; provides safety, promotional and legislative services.

**American Insurance Services Group, Inc.**, Lawrence M. Zippin, president, 85 John St., New York, N.Y. 10038. Tel. 212-669-0400. Wholly owned subsidiary of the American Insurance Association, administers five industry service organizations, the Index System, Property Insurance Loss Register, Premium Audit Advisory Service, Property Claim Services and Engineering & Safety Service.

***American Nuclear Insurers**, Burt C. Proom, president, The Exchange, Suite 245, 270 Farmington Ave., Farmington, Conn. 06032. Tel. 203-677-7305. A nonprofit unincorporated association through which liability and property insurance protection is provided against hazards arising out of nuclear reactor installations and their operations.

**American Prepaid Legal Services Institute**, Alec M. Schwartz, executive director, 750 North Lake Shore Drive, Chicago, Ill. 60611. Tel. 312-988-5751. National membership organization to provide information and technical assistance to lawyers, insurance companies, administrators, marketers and consumers regarding group and prepaid legal service plans.

***Association of Fire and Casualty Companies in Texas**, Kevin Uzzle, AFACT, executive manager, c/o Employers Casualty Co., Box 2759, Dallas, Texas 75221. Tel. 214-760-6100. Represents domestic Texas property and liability insurance companies in seeking to broaden consumer knowledge of insurance and in supporting legislation to improve the insurance business.

***Automobile Insurance Plans Service Office**, John J. Corbley, president, 302 Central Ave., Johnston, R.I. 02919. Tel. 401-946-2310. Develops and files rates and provides other services for automobile insurance plans nationwide.

**Casualty Actuarial Society**, Phillip N. Ben-Zvi, president, One Penn Plaza, New York, N.Y. 10119. Tel. 212-560-1018(9). Promotes actuarial and statistical science in all insurance fields except life.

**College of Insurance**, Linda H. Lamel, president and chief executive, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007. Tel. 212-962-4111. Insurance industry-supported college providing a complete curriculum leading to bachelor's and master's degrees in business administration and a bachelor of science degree in actuarial science.

**Conference of Insurance Legislators**, Charles Davis, executive director, P.O. Box 217, Brookfield, Wis. 53005. Tel. 414-782-6669. Organization of chairmen of state legislative committees concerned with insurance-related matters.

**Crop-Hail Insurance Actuarial Association.** Lloyd W. Lindstrom, manager, 209 W. Jackson Blvd., Chicago, Ill. 60606. Tel. 312-922-7722. Rating and research organization and statistical agent for crop-hail insurance and rain insurance on public events, business ventures, and private proceedings.

**Crop Insurance Research Bureau,** Larry L. Forrester, general manager, 3707 Woodview Trace, Box 68700, Indianapolis, Ind. 46268. Tel. 317-875-5250. Crop insurance trade organization administering the public relations, research and government relations programs of its member companies.

**Defense Research Institute, Inc.,** Louis L. Potter, executive director, 750 North Lake Shore Drive, Suite 5000, Chicago, Ill. 60611. Tel. 312-944-0575. Service organization to improve the administration of justice and improve the skills of defense lawyers.

**Federal Insurance Administration,** Harold T. Duryee, Executive Deputy Administrator, 500 C St., S.W., Washington, D.C. 20472. Tel. 202-646-2781. Administers the federal flood insurance and crime insurance programs.

***Fire Prevention and Engineering Bureau of Texas,** Richard A. Comstock, manager, 1900 Pacific Building, Suite 720, Dallas, Tex. 75201. Tel. 214-969-0330. Performs risk inspections, prepares underwriting reports, inspects fire defenses of Texas cities for members and subscribers.

**Foreign Credit Insurance Association,** John Hanson, president, 40 Rector St., 11th Floor, New York, N.Y. 10016. Tel. 212-306-5000. Offers credit insurance facilities for U.S. exporters through cooperation of the insurance business and the Export-Import Bank of Washington.

**Health Insurance Association of America,** James L. Moorefield, president, 1750 K St., N.W., Suite 600, Washington, D.C. 20006. Tel. 202-331-1336. Central source of health insurance information for the public on behalf of insurance companies; monitors public attitudes and reactions to health insurance developments.

**Health Insurance Association of America, Public Relations Division,** Kenneth W. White, vice president, 1850 K St., N.W., Washington, D.C. 20006. Tel. 202-862-4124.

**Highway Loss Data Institute,** Brian O'Neill, president, Watergate Six Hundred, Suite 300, Washington, D.C. 20037. Tel. 202-333-6200. Nonprofit organization to gather, process and provide the public with insurance data concerned with human and economic losses resulting from highway accidents.

**IIR/ACORD,** Joseph F. Quinn, president, One North Broadway, White Plains, N.Y. 10601. Tel. 914-682-0800. An industry-sponsored institute serving as the focal point for improving the processing of insurance transactions through the insurance agency system.

**ISO Commercial Risk Services, Inc.,** B. Joseph Shelley, president, 2 Sylvan Way, Parsippany, N.J. 07054. Tel. 201-267-0359. A wholly-owned subsidiary of Insurance Services Office, Inc., providing individual property survey and rating information to the property/casualty industry.

**ISO Telecommunications, Inc.** Dominick R. Cortellessa, president, 160 Water St., New York, N.Y. 10038. Tel. 212-487-5000. A wholly-owned subsidiary of Insurance Services Office, Inc., established to telecommunicate ISO products and services to ISO-participating insurers.

**Independent Insurance Agents of America, Inc.,** Jeffrey M. Yates, executive vice president, 100 Church St., New York, N.Y. 10007. Tel. 212-285-4250. Trade association of independent insurance agents.

***Inland Marine Underwriters Association,** Ward L. Mauck, president, 14 Wall St., New York, N.Y. 10005. Tel. 212-233-7958. Forum for discussion of problems of common concern to inland marine insurers; makes recommendations dealing with forms and legislation.

**Institute for Civil Justice,** Gustave H. Shubert, director, 1700 Main St., P.O. Box 2138, Santa Monica, Calif. 90406-2138. Tel. 213-393-0411. Organization formed within the Rand Corporation to perform independent, objective research and analysis concerning the civil justice system.

**Insurance Accounting and Systems Association,** Elaine Powell, secretary-treasurer, P.O. Box 8857, Durham, N.C. 27707. Tel. 919-683-2356. An international organization to promote the study, research and development of modern techniques in insurance accounting and statistics.

***Insurance Arbitration Forums,** Bernard L. Hines, Jr., president, Talleyrand I, 200 White Plains Rd., Tarrytown, N.Y. 10591-0066. Tel. 914-332-4770. Industry-supported non-profit organization to arbitrate intercompany disputes.

***Insurance Committee for Arson Control,** Rick L. Hammond, executive director, 1501 Woodfield Rd., Suite 400 W, Schaumburg, Ill. 60195-4980. Tel. 312-490-8670. All-industry coalition; serves as a catalyst for the insurance industry's overall anti-arson efforts and a liaison with government agencies and other groups devoted to arson control.

***Insurance Crime Prevention Institute,** Wendall C. Harness, director, 15 Franklin St., Westport, Conn. 06880. Tel. 203-226-6347. Serves property and casualty insurers in the investigation of fraudulent insurance claims, other than accident, health and workers' compensation.

***Insurance Fund Foundatioon,** Emily Davis, president, 1218 Third Ave., Seattle, Wash. 98101. Tel. 206-624-3927. Provides educational programs and materials to teachers, students and the general public.

**Insurance Information Institute,** Mechlin D. Moore, president, 110 William St., New York, N.Y. 10038. Tel. 212-669-9200. An educational, fact-finding and communications organization for all lines of insurance except life and health insurance. It is supported by some 300 insurance companies and provides services on a subscribership basis to many major industry organizations.

**Insurance Institute for Highway Safety,** Brian O'Neill, president, Watergate Six Hundred, Suite 300, Washington, D.C. 20037. Tel. 202-333-0770. Traffic safety organization supported by automobile insurers.

**Insurance Institute of America, Inc.,** Edwin S. Overman, Ph.D., CPCU, president, 720 Providence Rd., Malvern, Pa. 19355-0770. Tel. 215-644-2100. Provides educational opportunities in property and liability insurance and related fields; provides standards for measurement of achievement through the administration of national examinations.

**Insurance Library Association of Boston,** Maurice H. Saval, president, 156 State St., Boston, Mass. 02109. Tel. 617-227-2087. A nonprofit, independent membership library serving the research and education interests of all branches of the insurance industry.

***Insurance Services Office, Inc.,** Daniel J. McNamara, president, 175 Water St., New York, N.Y. 10038. Tel. 212-487-5000. Provides a wide range of advisory, rating, actuarial, statistical and other services relating to property and casualty insurance, including the development of policy forms, rates, premiums and related services for monoline and multiple line coverages. Offers services, including research studies, to insurers or other persons or organizations.

**Insurance Value Added Network Services,** Robert Barham, president, One North Broadway, White Plains, N.Y. 10601. Tel. 914-684-0343. An industry-sponsored organization offering a value added data communications network linking agencies, companies and providers of data to the insurance industry.

***International Insurance Advisory Council,** Gordon J. Cloney, director, 1511 K St., N.W., Washington, D.C. 20062. Tel. 202-463-5480. Speaks for and coordinates the international non-commercial activities of U.S. insurance and reinsurance companies.

***Kansas Association of Property and Casualty Insurance Companies,** L.M. Cornish, secretary-treasurer, P.O. Box 1280, Topeka, Kan. 66601. Tel. 913-232-0545. Organization representing 17 domestic insurance companies in Kansas.

**Kansas Insurance Education Foundation,** Homer H. Cowan, Jr., chairman of the board of trustees, P.O. Box 1280, Topeka, Kan. 66601. Tel. 913-232-0545. Non-profit corporation devoted to promotion and encouragement of insurance education in Kansas: Develops teaching aids, supports insurance education at the university level and prepares and distributes consumer information.

**LOMA (Life Office Management Association),** Lynn Merritt, president, 5770 Powers Ferry Rd., Atlanta, Ga. 30327. Tel. 404-951-1770. Worldwide association of insurance companies specializing in research and education, with a primary focus on home office management.

***Metropolitan Chicago Loss Bureau,** Robert Kissane, president, 343 S. Dearborn, Suite 1400, Chicago, Ill. 60604. Tel. 312-322-2500. Assists insurance companies with property claims adjustment and arson and fraud claims investigation.

**National Association of Casualty and Surety Agents,** Bruce T. Wallace, executive vice president, 6931 Arlington Rd., Suite 308, Bethesda, Md. 20814. Tel. 301-986-4166. A trade organization dedicated to safeguarding the public interest, preserving a competitive market, and working with others for the good of the insurance business and the public.

**National Association of Casualty and Surety Executives,** Lawrence M. Zippin, executive secretary, 85 John St., New York, N.Y. 10038. Tel. 212-669-0400. Organization to provide insurance companies and agents with a forum for discussion of industry problems relating to the public's interest.

**National Association of Health Underwriters,** William F. Flood, executive vice president, 1700 Pennsylvania Ave., N.W., Suite 595, Washington, D.C. 20006. Tel. 202-638-0455. Professional association of persons engaged in the sale and service of disability income and hospitalization and major medical health insurance.

**National Association of Independent Insurers,** Lowell R. Beck, president, 2600 River Rd., Des Plaines, Ill. 60018. Tel. 312-297-7800. Trade association of fire, casualty and surety insurers.

**National Association of Insurance Brokers, Inc.,** David F. Lambert, III, executive director, 1401 New York Ave., N.W., Suite 720, Washington, D.C. 20005. Tel. 202-628-6700. Trade association of commercial insurance brokers.

**National Association of Insurance Commissioners,** Karl W. Koch, executive president, 1125 Grand Ave., Kansas City, Mo. 64106. Tel. 816-842-3600. Organization of state insurance commissioners to promote uniformity in state supervision of insurance matters, and to recommend legislation in the various state legislatures.

***National Association of Insurance Women,** Susan M. Caldwell, executive vice president, 1847 E. 15th St., P.O. Box 4410, Tulsa, Okla. 74104. Tel. 918-744-5195. Fosters educational programs for members. Promotes public safety and service programs.

**National Association of Mutual Insurance Companies**, Harold H. Walters, president, 3707 Woodview Trace, P.O. Box 68700, Indianapolis, Ind. 46268. Tel. 317-875-5250. Trade association of property and casualty mutual insurance companies.

**National Association of Professional Surplus Lines Offices, Ltd.**, J. Dale Bohm, executive director, P.O. Box 1507, Roswell, Ga. 30077. Tel. 404-998-9075. Professional association of wholesale brokers, excess and surplus lines companies, affiliates and supporting members.

**National Association of Surety Bond Producers**, Bruce T. Wallace, executive vice president, 5454 Wisconsin Ave., Suite 1625, Chevy Chase, Md. 20815. Tel. 301-986-4166. Trade association of surety bond producers.

**National Automobile Theft Bureau**, Paul W. Gilliland, president, 10330 S. Roberts Rd. 3A, Palos Hills, Ill. 60465. Tel. 312-430-2430. Conducts stolen vehicle recovery and auto theft prevention activities on behalf of the insurance industry.

**National Committee on Insurance Guaranty Funds**, Richard J. Marcus, executive secretary, 1501 Woodfield Rd., Suite 400 West, Schaumburg, Ill. 60173-4980. Tel. 312-490-8526. Advisory organization to the state guaranty fund boards; gathers and disseminates information regarding insurer insolvencies.

***National Committee on Property Insurance**, Eugene L. Lecomte, president, 10 Winthrop Sq., Boston, Mass. 02110. Tel. 617-423-4620. Provides advice and assistance to insurers writing property coverages in distressed or residual insurance markets.

***National Council on Compensation Insurance**, Kevin M. Ryan, president, One Penn Plaza, New York, N.Y. 10119. Tel. 212-560-1000. Develops and administers rating plans and systems for workers' compensation insurance.

***National Crop Insurance Association**, George A. Bender, vice president, 8400 W. 110th St., Suite 400, Shawnee Mission, Kan. 66210. Tel. 913-451-3656. National trade association of insurance companies writing hail, fire, and other weather perils to growing crops.

**National Fire Protection Association**, Robert W. Grant, president, Batterymarch Park, Quincy, Mass. 02269. Tel. 617-770-3000. Independent, nonprofit source of technical and educational information on fire protection, prevention and suppression; develops and publishes consensus fire safety standards; sponsors national Learn Not to Burn campaign.

**National Safety Council**, T. C. Gilchrest, president, 444 N. Michigan Ave., Chicago, Ill. 60611. Tel. 312-527-4800. Provides national support and leadership in the field of safety; publishes safety materials of all kinds; conducts a public information and publicity program in support of safety.

***New York Cooperative Insurance Association**, Kurt J. English, CPCU, CLU, executive vice president, 401 S. Main St., North Syracuse, N.Y. 13212. Tel. 315-458-7702. A trade association representing 75 mutual property/casualty insurance companies providing insurance for homes, businesses and farmers.

***New York Insurance Exchange**, Joseph Fahys, president and chief executive officer, 111 Fulton St., New York, N.Y. 10038. Tel. 212-618-9200. A marketplace established to write reinsurance of all kinds and direct insurance on risks located outside the United States, as well as on domestic risks which have been rejected in the New York Free Trade Zone.

**Overseas Private Investment Corporation**, Craig A. Nalen, president, 1129 20th St., N.W., Washington, D.C. 20527. Tel. 202-653-2920. Self-sustaining U.S. government agency providing political risk insurance and finance services for U.S. investment in developing countries.

***Pennsylvania FAIR Plan**, Donald F. Hunter, general manager, Mall Building, Suite 600, 325 Chestnut St., Philadelphia, Pa. 19106. Tel. 215-629-8800. Provides insurance for property owners in Pennsylvania having difficulty getting property coverages through traditional channels.

**Pollution Liability Insurance Association**, Thomas Knowlton, manager, 1333 Butterfield Rd., Suite 100, Downers Grove, Ill. 60515. Tel. 312-467-0003. Organization to promote the availability of pollution and hazardous waste insurance coverages for businesses.

**Professional Insurance Agents**, Donald K. Gardiner, executive vice president, 400 N. Washington St., Alexandria, Va. 22314. Tel. 703-836-9340. Trade association of independent insurance agents.

**Property Insurance Loss Register**, Gerald F. Murphy, vice president, 700 New Brunswick Ave., Rahway, N.J. 07065. Tel. 201-388-0157. A voluntary, non-profit organization administered by the American Insurance Association; maintains a computerized registry of property loss claims which can be used by its subscribers to fight insurance fraud, and provides data for non-actuarial/statistical research.

***Property Insurance Plans Service Office**, Eugene L. Lecomte, president, 10 Winthrop Sq., Boston, Mass. 02110. Tel. 617-423-4620. Provides technical and administrative services to the various state property insurance plans.

**Reinsurance Association of America**, Andre Maisonpierre, president, 1025 Connecticut Ave., N.W., Suite 512, Washington, D.C. 20036. Tel. 202-293-3335. Trade association of property and casualty reinsurers; provides legislative services for members.

**Risk and Insurance Management Society, Inc.**, Ron E. Judd, executive director, 205 E. 42nd St., New York, N.Y. 10017. Tel. 212-286-9292. Organization of corporate buyers of insurance which makes known to insurers the insurance needs of business and industry, and which supports loss prevention and provides a forum for the discussion of common objectives and problems.

**Society of Certified Insurance Counselors**, William T. Hold, Ph.D., CIC, CPCU, CLU, president, 3630-C North Hills Dr., Austin, Tex. 78731. Tel. 512-345-7932. National education program in property, liability and life insurance, with a continuing education requirement upon designation.

***Society of Chartered Property and Casualty Underwriters**, James W. Hamilton, CPCU, executive vice president, Kahler Hall, 720 Providence Rd., (CB No. 9), Malvern, Pa. 19355. Tel. 215-251-2728. Professional society to foster the higher education of those engaged in insurance and risk management; encourages and conducts research.

**Society of Insurance Research**, Douglas McCracken, president, Box 933, Appleton, Wis. 54912. Tel. 414-731-2405. Stimulates insurance research and fosters exchanges among society members on research methodology.

**Society of Insurance Trainers and Educators**, William C. Priegnitz, president, 6231 Stony Trace, Sun Prairie, Wis. 53590. Tel. 608-837-3432. Professional organization of trainers and educators in insurance.

***Surety Association of America**, Lloyd Provost, president, 100 Wood Ave., S. (Metro-Park), Iselin, N.J. 08830. Tel. 201-494-7600. Statistical, rating, development and advisory organization and forum for surety companies.

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